

TOWN OF NATICK, MASSACHUSETTS

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020



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**TOWN OF NATICK, MASSACHUSETTS
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YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITORS' REPORT

Honorable Board of Selectmen
Town of Natick, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Natick, Massachusetts, as of and for the year ended June 30, 2020 (except for the Natick Contributory Retirement System, which is as of and for the year ended December 31, 2019), and the related notes to the financial statements, which collectively comprise the Town of Natick, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion of Discretely Presented Component Unit" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the discretely presented component unit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except for the matter described in the Basis for Disclaimer of Opinion on Discretely Presented Component Unit paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion on Discretely Presented Component Unit

As more fully described in Note 1, the financial statements of the Institute were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The amount by which this departure would affect the assets, net position and revenues of the Institute has not been determined.

Disclaimer of Opinion

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion on Discretely Presented Component Unit” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the discretely presented component unit referred to in the basis for disclaimer of opinion paragraph.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Natick, Massachusetts, as of June 30, 2020 (except for the Natick Contributory Retirement System, which is as of and for the year ended December 31, 2019), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis (located on pages 4 through 13) and general fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 75 through 83) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable Board of Selectmen
Town of Natick, Massachusetts

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2021, on our consideration of the Town of Natick, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Natick, Massachusetts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Natick, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
May 19, 2021

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

As management of the Town of Natick, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the Town exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$14,568,427 (net deficit). The Town's governmental activities have an unrestricted net deficit of \$230,110,259 and its business-type activities unrestricted net surplus totaled \$728,024.
- The Town's total net position increased by \$24,465,629.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$104,816,636 a decrease of \$40,907,039 in comparison with the prior year. Approximately \$24,072,999 represents unassigned fund balance.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$24,544,078, or approximately 12% of total general fund expenditures and transfers out.
- The Town's total bonded debt increased by \$1,421,081 during the fiscal year. The Town issued \$15,050,000 of new debt, of which \$3,615,000 was recognized as long term debt in fiscal year 2019 as a result of the retirement of bond anticipation notes and \$22,755,000 of refunding debt during the year.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the Town's non-fiduciary assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The **statement of activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the Town's water and sewer and golf course operations.

The government-wide financial statements can be found on pages 14-16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. Fiduciary funds

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The Town maintains 505 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, Kennedy Middle School fund, and the Affordable Housing Trust fund which are considered to be major funds. Data from the other 502 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary Funds

The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer and golf course operations. The water and sewer enterprise fund is considered to be major fund, while the golf course enterprise fund is considered nonmajor.

The basic proprietary funds financial statements can be found on pages 21-23 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary funds provide separate information for the Town's pension trust fund. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary fund financial statements can be found on pages 24-25 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-73 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension and other postemployment benefit information, which can be found on pages 75-83.

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$14,568,427 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current Assets	\$ 130,696,998	\$ 167,446,772	\$ 17,841,522	\$ 15,409,256	\$ 148,538,520	\$ 182,856,028
Noncurrent Assets (Excluding Capital Assets)	651,886	523,841	874,595	994,147	1,526,481	1,517,988
Capital Assets (Net)	270,839,959	206,645,163	44,226,604	42,414,386	315,066,563	249,059,549
Total Assets	<u>402,188,843</u>	<u>374,615,776</u>	<u>62,942,721</u>	<u>58,817,789</u>	<u>465,131,564</u>	<u>433,433,565</u>
Deferred Outflows of Resources	<u>12,478,172</u>	<u>18,328,113</u>	<u>392,541</u>	<u>616,807</u>	<u>12,870,713</u>	<u>18,944,920</u>
Liabilities						
Current Liabilities (Excluding Debt)	25,897,007	24,037,981	1,496,997	1,049,074	27,394,004	25,087,055
Noncurrent Liabilities (Excluding Debt)	259,888,359	262,995,089	8,097,348	8,367,397	267,985,707	271,362,486
Current Debt	10,348,189	10,881,987	2,215,948	2,244,548	12,564,137	13,126,535
Noncurrent Debt	142,245,426	144,377,055	17,870,221	14,795,113	160,115,647	159,172,168
Total Liabilities	<u>438,378,981</u>	<u>442,292,112</u>	<u>29,680,514</u>	<u>26,456,132</u>	<u>468,059,495</u>	<u>468,748,244</u>
Deferred Inflows of Resources	<u>23,761,371</u>	<u>21,985,191</u>	<u>749,838</u>	<u>679,106</u>	<u>24,511,209</u>	<u>22,664,297</u>
Net Position						
Net Investment in Capital Assets	164,203,153	136,955,155	32,176,886	33,030,233	196,380,039	169,985,388
Restricted	18,433,769	18,302,341	-	-	18,433,769	18,302,341
Unrestricted	(230,110,259)	(226,590,910)	728,024	(730,875)	(229,382,235)	(227,321,785)
Total Net Position	<u>\$ (47,473,337)</u>	<u>\$ (71,333,414)</u>	<u>\$ 32,904,910</u>	<u>\$ 32,299,358</u>	<u>\$ (14,568,427)</u>	<u>\$ (39,034,056)</u>

The largest portion of the Town's net position (\$196,380,039) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, leasehold improvements, buildings, machinery and equipment, vehicles, library books and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (\$18,433,769) represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a net deficit of \$229,382,235. Of this amount \$728,024 represents an unrestricted net surplus in business-type activities and (\$230,110,259) represents an unrestricted net deficit in governmental activities.

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

At the end of the current fiscal year, the Town reports positive balances in each category of net position for business-type activities. For governmental activities, positive balances are reported in each category except for unrestricted net position. Such resources have been consumed with the recognition of other postemployment benefit liabilities and net pension liability.

Changes in Net Position

For the fiscal year ended June 30, 2020, the Town's total net position increased by \$24,465,629, compared to a decrease of \$4,359,679 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 11,785,495	\$ 15,045,039	\$ 16,609,104	\$ 15,912,882	\$ 28,394,599	\$ 30,957,921
Operating Grants and Contributions	36,909,260	31,202,616	50,741	185,646	36,960,001	31,388,262
Capital Grants and Contributions	22,019,512	3,643,945	-	726,750	22,019,512	4,370,695
<i>General Revenues:</i>						
Real Estate and Personal Property Taxes	122,729,046	112,097,540	-	-	122,729,046	112,097,540
Motor Vehicle and Other Excise Taxes	5,757,586	5,834,457	-	-	5,757,586	5,834,457
Hotel/Motel Taxes	1,183,138	1,495,581	-	-	1,183,138	1,495,581
Penalties and Interest on Taxes	298,125	333,529	-	-	298,125	333,529
Payments in Lieu of Taxes	39,555	37,772	-	-	39,555	37,772
Grants and Contributions not Restricted to Specific Programs	5,230,996	5,219,989	-	-	5,230,996	5,219,989
Unrestricted Investment Income	2,153,651	1,651,406	203,970	-	2,357,621	1,651,406
Total Revenues	<u>208,106,364</u>	<u>176,561,874</u>	<u>16,863,815</u>	<u>16,825,278</u>	<u>224,970,179</u>	<u>193,387,152</u>
Expenses						
General Government	9,159,422	10,439,433	-	-	9,159,422	10,439,433
Public Safety	27,248,303	29,970,804	-	-	27,248,303	29,970,804
Education	117,254,380	112,312,512	-	-	117,254,380	112,312,512
Public Works	17,557,706	16,783,973	-	-	17,557,706	16,783,973
Health and Human Services	4,597,405	4,261,779	-	-	4,597,405	4,261,779
Culture and Recreation	2,479,817	3,097,343	-	-	2,479,817	3,097,343
Library	3,120,433	3,144,719	-	-	3,120,433	3,144,719
Debt Service - Interest	5,184,051	4,059,445	-	-	5,184,051	4,059,445
Water and Sewer	-	-	13,171,240	12,953,958	13,171,240	12,953,958
Golf	-	-	731,793	722,865	731,793	722,865
Total Expenses	<u>186,601,517</u>	<u>184,070,008</u>	<u>13,903,033</u>	<u>13,676,823</u>	<u>200,504,550</u>	<u>197,746,831</u>
Change in Net Position Before Transfers	21,504,847	(7,508,134)	2,960,782	3,148,455	24,465,629	(4,359,679)
Transfers, Net	<u>2,355,230</u>	<u>1,992,021</u>	<u>(2,355,230)</u>	<u>(1,992,021)</u>	<u>-</u>	<u>-</u>
Change in Net Position	23,860,077	(5,516,113)	605,552	1,156,434	24,465,629	(4,359,679)
Net Position - Beginning of Year	<u>(71,333,414)</u>	<u>(65,817,301)</u>	<u>32,299,358</u>	<u>31,142,924</u>	<u>(39,034,056)</u>	<u>(34,674,377)</u>
Net Position - End of Year	<u>\$ (47,473,337)</u>	<u>\$ (71,333,414)</u>	<u>\$ 32,904,910</u>	<u>\$ 32,299,358</u>	<u>\$ (14,568,427)</u>	<u>\$ (39,034,056)</u>

Governmental activities increased the Town's net position by \$23,860,077. In the prior year, governmental activities decreased the Town's net position by \$5,516,113. The key element of this change is the capital grants receipts from the MSBA related to the construction of Kennedy Middle School.

Business-type activities increased the Town's net position by \$605,552. In the prior year, business-type activities increased the Town's net position by \$1,156,434. The key element of this change is a decrease in capital contributions of approximately \$700,000.

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Fund Financial Statement Analysis

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$104,816,636, a decrease of \$40,907,039 in comparison with the prior year, which was a direct result of the Kennedy middle school capital project activity. Approximately 23% of this total amount (\$24,072,999) represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$15,775)
- Restricted (\$62,979,533)
- Committed (\$15,986,972)
- Assigned (\$1,761,357)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$24,544,078 while total fund balance was \$47,453,936. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 12% of total general fund expenditures and transfers out, while total fund balance represents 24% of that same amount.

The balance of the Town's general fund increased by \$210,135 during fiscal year 2020. The Town recognized an approximate \$15,225,000 budgetary surplus (excluding encumbrances and continuing appropriations) and anticipated utilizing approximately \$16,589,000 of reserves during year.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and sewer and deficit of the golf course enterprise funds at the end of the year amounted to \$1,228,187 and (\$500,163), respectively. The water and sewer enterprise fund had an increase in net position for the year totaling \$510,602. The golf course enterprise fund had an increase in net position for the year totaling \$94,950. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

General Fund Budgetary Highlights

The original general fund budget of \$157,211,205 was increased by \$4,520,874 (2.9%) during the year.

The following table summarizes the increase:

Purpose of Increase/Decrease	Amount	Funding Source
Transfer to Capital Stabilization	\$ 1,519,347	Unassigned Fund Balance
Transfer to OPEB Trust	375,639	Unassigned Fund Balance
Transfer to Operational Stabilization	250,000	Unassigned Fund Balance
Transfer to General Stabilization	250,000	Unassigned Fund Balance
Increases for Capital Articles	1,291,300	Stabilization Fund/Unassigned Fund Balance
Contract Settlements	620,186	Unassigned Fund Balance
Information Technology Expenditures	25,000	Unassigned Fund Balance
Finance Department Expenditures	10,077	Unassigned Fund Balance
Insurance and Benefit Expenditures	40,000	Unassigned Fund Balance
Public Safety Expenditures	43,325	Tax Levy
Community Service Expenditures	96,000	Tax Levy
Total Net Increase	<u>\$ 4,520,874</u>	

During the year, general fund revenues and other financing sources exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgeted appropriations, resulting in a positive budget to actual variance of approximately \$4,544,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$315,066,563 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, leasehold improvements, buildings, machinery and equipment, vehicles, library books and infrastructure. The total increase in the investment in capital assets for the current fiscal year totaled \$66,007,014 or 26.5%.

Major capital asset events that occurred during the current fiscal year include the following:

- Governmental Activity – Kennedy Middle School Construction (Approx. \$59,000,000)
- Governmental Activity – New Fire Station (Approx. \$6,300,000)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 17,250,386	\$ 17,250,386	\$ 1,053,254	\$ 1,053,254	\$ 18,303,640	\$ 18,303,640
Construction in Progress	78,990,632	13,166,320	2,630,079	3,063,065	81,620,711	16,229,385
Land Improvements	7,120,483	6,591,960	1,048,016	1,147,876	8,168,499	7,739,836
Leasehold Improvements	491,649	533,491	-	-	491,649	533,491
Buildings	116,497,526	120,880,380	726,447	699,655	117,223,973	121,580,035
Machinery and Equipment	4,474,751	5,451,532	1,234,643	853,166	5,709,394	6,304,698
Vehicles	4,715,988	3,998,283	512,598	815,063	5,228,586	4,813,346
Library Books	1,089,619	1,061,236	-	-	1,089,619	1,061,236
Infrastructure	40,208,925	37,711,575	37,021,567	34,782,307	77,230,492	72,493,882
Total Capital Assets	<u>\$ 270,839,959</u>	<u>\$ 206,645,163</u>	<u>\$ 44,226,604</u>	<u>\$ 42,414,386</u>	<u>\$ 315,066,563</u>	<u>\$ 249,059,549</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 47-49 of this report.

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$172,679,784, which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 152,510,571	\$ 154,115,799	\$ 18,057,634	\$ 14,660,521	\$ 170,568,205	\$ 168,776,320
MWRA Notes	-	-	347,190	395,640	347,190	395,640
MCWT Notes	83,044	103,243	1,681,345	1,983,500	1,764,389	2,086,743
Total Bond and Notes	<u>\$ 152,593,615</u>	<u>\$ 154,219,042</u>	<u>\$ 20,086,169</u>	<u>\$ 17,039,661</u>	<u>\$ 172,679,784</u>	<u>\$ 171,258,703</u>

The Town's total bonded debt increased by \$1,421,081 (0.8%) during the current fiscal year. The Town issued \$15,050,000 of new debt, of which \$3,615,000 was recognized as long term debt in fiscal year 2019 as a result of the retirement of bond anticipation notes and \$22,755,000 of refunding debt during the year.

The Town received an AAA rating from Standard & Poor's for its most recent issuance of long-term debt on June 11, 2020.

Additional information on the Town's long-term debt can be found in Note 9 on pages 51-55 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town of Natick is committed to targeted and sustainable economic development to ensure the future of Natick's strong commercial and industrial tax base. Through the leadership of the Board of Selectmen, the Economic Development Committee (EDC) and the Department of Community and Economic Development (CED), the Town focuses on numerous activities to promote and strengthen the local business environment, seeking to accomplish the following objectives:

- Leverage Natick's resources and location to attract business and private investment to Natick that maximizes tax revenue and provides diverse employment opportunities;
- Promote utilization and modernization of existing infrastructure and facilities to the fullest extent possible;
- Recognize and work to address neighborhood and community issues and concerns to ensure the preservation of neighborhood character and quality of life;
- Identify and plan for changing market trends and opportunities; and,
- Market Natick for sustainable and diversified economic development through strategic partnerships and initiatives.

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

As has been the case for many communities across the nation, the COVID-19 pandemic created a pause in new commercial development activity. Despite the pandemic, new investments initiated before 2020 have continued and many new projects are beginning to enter the pipeline in early 2021. Economic development investment activity includes:

- Full occupancy of the expanded ABI Labs in their second building with 65,000 square feet of bio-tech/life sciences incubator space;
- Natick Center, the heart of the community continues to thrive with the proposed Natick Mercantile Building which will have 44 residential units and 4,000 square feet of commercial space; and
- For fiscal 2021, new growth assisted the levy by approximately \$2.2 million.

The Town also advanced multiple key infrastructure projects in 2020, and continues to strategically invest in its infrastructure and provide amenities for growing neighborhoods:

- The Route 27 North Main Street corridor began construction in 2020 with nearly \$14 million in federal and state construction funding. This project will reconstruct a primary north-south transportation corridor in Town, complete with new sidewalks, storm drains, and bike lanes. The Town paid for engineering and design of the project.
- The Cochituate Rail Trail (CRT) is nearly complete – a 2.5 mile linear park connecting the heart of Natick Center and Commuter Rail station to key population and employment centers, including The MathWorks Lakeside Campus (est. 2,000+ employees), the corporate headquarters of TJX Companies (est. 4,000 employees), and the Natick Mall among others, as well as nearly 800 newly constructed housing units and ¼ of Natick's population (living within ½ mile of the CRT).
- Work began on a new, fully accessible, MBTA commuter rail station for downtown Natick with \$40 million worth of infrastructure improvements. The Town paid for all the engineering work.

The Town is also committed to long range planning work in order to ensure the future of Natick's economic strength. 2020 saw the advancement of several key planning initiatives, including:

- The completion of the Natick 2030+ Comprehensive Master Plan, which is the first town-wide master plan since early 1970s. The plan creates a shared 10-20 year vision for Natick with an active implementation strategy outlining how to realize that vision.
- The Golden Triangle Study, in partnership with the City of Framingham, which is a targeted land use and mobility plan for the Exit 13/Speen/Rt. 30 area of Town. The Golden Triangle is home to some of the region's largest employers and taxpayers, including TJX, Natick Mall, Shoppers World (Framingham), MathWorks' new Lakeside Campus, and many other retail and commercial destinations. The Town is beginning a process to draft new zoning for this district.
- The Natick Center Placemaking study, in partnership with the Metropolitan Area Planning Counsel and the National Foundation for the Arts, will culminate with the installation of several public art installations and recommended wayfinding improvements to Natick Center.

Natick remains a leader in the MetroWest market for job growth and new development and has put the Town in a strong position to capitalize on its assets to ensure commercial diversity and sustainable business growth.

**TOWN OF NATICK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Natick's new growth for FY 2020 continued FY 2019 overall strong trend with the DOR certifying \$1,884,006 in total new growth to the Town's levy limit. Other indicators also reflected Natick's strong management and the robust regional economic performance; free cash was certified at \$5,191,574, State Aid increased by a healthy 2.64% in FY20, Chapter 70 and Unrestricted General Government Aid revenue increased slightly and, local receipts increased moderately for the year. Indirect costs from the Town's enterprise funds are proposed to remain the same or increase slightly for the three year period. Finally, the Capital Stabilization Fund, using revenues generated from local option taxes, will continue to support new cash capital projects reducing the need for additional debt.

For FY 2021 the Town Administrator proposed a balanced budget relying upon strong new growth, robust free cash, and strategic cost saving measures to present a balanced budget. On March 10, 2020 the Governor of the Commonwealth of Massachusetts declared a state of emergency due to the outbreak of the virus COVID-19. Pursuant to that order, the Town closed all public buildings to the public and the School Department closed all schools for the remainder of the year. Designated essential employees who perform critical services for the Town remained on the job and arrangements were made to set up telecommuting and flexible job assignments to let the employees who are not designated as essential to work from home.

2020 Spring Town Meeting was delayed due to the restrictions on group meetings in place due to the Governor's emergency orders and did not convene until July 2020, when it took place virtually and approved a modified, with a 4% overall reduction, FY 2021 budget which reflected the changed economic conditions.

The initial revenues for FY 2021 continued the Town's positions at the end of FY 2020; continued solid performance on the real estate and personal property taxes, weak local receipts and an overall decrease in department revenues. The addition of higher than expected free cash, State Aid and new growth in FY 21 blunted the effect of decrease in local receipts and the Town does expect revenues to gradually recover as we move through FY 21.

While management is optimistic about the economic growth for Natick in the upcoming years, the Town's financial forecasts indicate that demand for services may begin to outweigh the ability to pay for all services. Future service level improvements to meet the ever-changing needs of the residents will be difficult as the Town faces growing financial challenges further exacerbated by the COVID-19 pandemic. Increasing healthcare costs for both employees and retirees, pension costs, OPEB liabilities are just a few of the issues that will face the Town in the very near future.

There will also be an ongoing need to rebuild reserves used during the pandemic while also meeting the responsibility to minimize the impact of the taxpayer. The structural imbalance in the past couple of budgets will continue to occur, forcing the town to rely on one-time funding, budget cuts and to increase revenues in order to balance its budget. In order to address this issue, long range forecasting must be utilized in all budget processes.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 13 East Central Street, Natick, Massachusetts 01760.

TOWN OF NATICK, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Morse Institute
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 42,036,808	\$ 4,058,873	\$ 46,095,681	\$ 631,262
Restricted Cash and Cash Equivalents	65,684,454	8,036,451	73,720,905	-
Investments	8,107,487	1,062,508	9,169,995	2,305,390
Restricted Investments	4,552,049	-	4,552,049	-
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	2,768,541	-	2,768,541	-
Tax, Trash, and Utility Liens	2,318,883	389,050	2,707,933	-
Motor Vehicle and Other Excise Taxes	799,425	-	799,425	-
User Charges	-	4,282,908	4,282,908	-
Special Assessments	13	2,843	2,856	-
Departmental and Other	397,474	-	397,474	-
Intergovernmental	4,022,281	-	4,022,281	-
Due from Fiduciary Funds	9,583	-	9,583	-
Inventory	-	8,889	8,889	-
Total Current Assets	130,696,998	17,841,522	148,538,520	2,936,652
Noncurrent Assets:				
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate Tax Deferrals	599,463	-	599,463	-
Special Assessments	52,423	817,539	869,962	-
Intergovernmental	-	57,056	57,056	-
Capital Assets Not being Depreciated	96,241,018	3,683,333	99,924,351	-
Capital Assets, Net of Accumulated Depreciation	174,598,941	40,543,271	215,142,212	-
Total Noncurrent Assets	271,491,845	45,101,199	316,593,044	-
Total Assets	402,188,843	62,942,721	465,131,564	2,936,652
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	3,643,476	126,809	3,770,285	-
OPEB Related	8,834,696	265,732	9,100,428	-
Total Deferred Outflows of Resources	12,478,172	392,541	12,870,713	-
LIABILITIES				
Current Liabilities:				
Warrants Payable	12,732,387	1,015,253	13,747,640	-
Accrued Payroll	2,452,102	91,947	2,544,049	-
Tax Refunds Payable	301,691	-	301,691	-
Other Liabilities	2,836,519	-	2,836,519	-
Accrued Interest	2,029,167	232,695	2,261,862	-
Capital Lease Obligations	68,656	-	68,656	-
Workers' Compensation Claims	12,303	-	12,303	-
Landfill Post-Closure	34,043	-	34,043	-
Compensated Absences	207,043	-	207,043	-
Total OPEB Liability	5,223,096	157,102	5,380,198	-
Bonds and Notes Payable	10,348,189	2,215,948	12,564,137	-
Total Current Liabilities	36,245,196	3,712,945	39,958,141	-
Noncurrent Liabilities:				
Capital Lease Obligations	142,086	-	142,086	-
Workers' Compensation Claims	12,304	-	12,304	-
Landfill Post-Closure	204,258	-	204,258	-
Compensated Absences	1,863,384	-	1,863,384	-
Net Pension Liability	73,464,157	2,556,862	76,021,019	-
Total OPEB Liability	184,202,170	5,540,486	189,742,656	-
Bonds and Notes Payable	142,245,426	17,870,221	160,115,647	-
Total Noncurrent Liabilities	402,133,785	25,967,569	428,101,354	-
Total Liabilities	438,378,981	29,680,514	468,059,495	-
DEFERRED INFLOWS OF RESOURCES				
Taxes Collected in Advance	142,973	-	142,973	-
Pension Related	8,344,653	290,429	8,635,082	-
OPEB Related	15,273,745	459,409	15,733,154	-
Total Deferred Inflows of Resources	23,761,371	749,838	24,511,209	-
NET POSITION				
Net Investment in Capital Assets	164,203,153	32,176,886	196,380,039	-
Restricted for:				
Other Postemployment Benefits	4,452,062	-	4,452,062	-
Conservation Commission	97,100	-	97,100	-
Infrastructure	1,142,316	-	1,142,316	-
Special Education	1,920,303	-	1,920,303	-
Debt Service	1,191,401	-	1,191,401	-
Permanent Funds:				
Expendable	326,848	-	326,848	-
Nonexpendable	15,775	-	15,775	1,404,094
Other Specific Purposes	9,287,964	-	9,287,964	-
Unrestricted	(230,110,259)	728,024	(229,382,235)	1,532,558
Total Net Position	<u>\$ (47,473,337)</u>	<u>\$ 32,904,910</u>	<u>\$ (14,568,427)</u>	<u>\$ 2,936,652</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 9,159,422	\$ 1,526,988	\$ 886,300	\$ 337,650	\$ (6,408,484)
Public Safety	27,248,303	3,475,607	347,058	-	(23,425,638)
Education	117,254,380	4,496,849	34,049,975	20,841,485	(57,866,071)
Public Works	17,557,706	1,490,544	355,946	840,377	(14,870,839)
Health and Human Services	4,597,405	301,026	1,101,605	-	(3,194,774)
Culture and Recreation	2,479,817	467,484	162,576	-	(1,849,757)
Library	3,120,433	26,997	4,686	-	(3,088,750)
Debt Service-Interest	5,184,051	-	1,114	-	(5,182,937)
Total Governmental Activities	186,601,517	11,785,495	36,909,260	22,019,512	(115,887,250)
Business-Type Activities:					
Water and Sewer	13,171,240	15,970,599	50,741	-	2,850,100
Golf	731,793	638,505	-	-	(93,288)
Total Business-Type Activities	13,903,033	16,609,104	50,741	-	2,756,812
Total Primary Governments	200,504,550	28,394,599	36,960,001	22,019,512	(113,130,438)
Component Units:					
Morse Institute	\$ 267,664	\$ 5,946	\$ 362,568	\$ -	\$ 100,850

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2020**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
CHANGES IN NET POSITION				
Net (Expense) Revenue (From Previous Page)	<u>\$ (115,887,250)</u>	<u>\$ 2,756,812</u>	<u>\$ (113,130,438)</u>	<u>\$ 100,850</u>
General Revenues:				
Real Estate and Personal Property Taxes	122,729,046	-	122,729,046	-
Motor Vehicle and Other Excise Taxes	5,757,586	-	5,757,586	-
Hotel/Motel Taxes	1,183,138	-	1,183,138	-
Penalties and Interest on Taxes	298,125	-	298,125	-
Payments in Lieu of Taxes	39,555	-	39,555	-
Grants and Contributions Not Restricted to Specific Programs	5,230,996	-	5,230,996	-
Unrestricted Investment Income	2,153,651	203,970	2,357,621	-
Transfers, Net	2,355,230	(2,355,230)	-	-
Total General Revenues and Transfers	<u>139,747,327</u>	<u>(2,151,260)</u>	<u>137,596,067</u>	<u>-</u>
CHANGE IN NET POSITION	23,860,077	605,552	24,465,629	100,850
Net Position - Beginning of Year	<u>(71,333,414)</u>	<u>32,299,358</u>	<u>(39,034,056)</u>	<u>2,835,802</u>
NET POSITION - END OF YEAR	<u><u>\$ (47,473,337)</u></u>	<u><u>\$ 32,904,910</u></u>	<u><u>\$ (14,568,427)</u></u>	<u><u>\$ 2,936,652</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

ASSETS	General	Kennedy Middle School	Affordable Housing Trust	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 42,036,808	\$ -	\$ -	\$ -	\$ 42,036,808
Investments	8,107,487	-	-	-	8,107,487
Receivables, Net of Allowance for Uncollectible Amounts:					
Real Estate and Personal Property Taxes	2,768,541	-	-	-	2,768,541
Real Estate Tax Deferrals	599,463	-	-	-	599,463
Tax and Trash Liens	2,318,883	-	-	-	2,318,883
Motor Vehicle and Other Excise Taxes	799,425	-	-	-	799,425
Special Assessments	8,672	-	-	43,764	52,436
Departmental and Other	397,474	-	-	-	397,474
Intergovernmental	-	3,304,047	-	718,234	4,022,281
Due from Fiduciary Funds	9,583	-	-	-	9,583
Restricted Assets:					
Cash and Cash Equivalents	1,534,126	29,247,650	211,540	34,691,138	65,684,454
Investments	3,627,403	-	-	924,646	4,552,049
Total Assets	<u>\$ 62,207,865</u>	<u>\$ 32,551,697</u>	<u>\$ 211,540</u>	<u>\$ 36,377,782</u>	<u>\$ 131,348,884</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Warrants Payable	\$ 2,598,917	\$ 7,932,744	\$ -	\$ 2,200,726	\$ 12,732,387
Accrued Payroll	2,414,871	-	-	37,231	2,452,102
Tax Refunds Payable	301,691	-	-	-	301,691
Other Liabilities	2,834,913	-	1,606	-	2,836,519
Total Liabilities	<u>8,150,392</u>	<u>7,932,744</u>	<u>1,606</u>	<u>2,237,957</u>	<u>18,322,699</u>
DEFERRED INFLOWS OF RESOURCES					
Taxes Collected in Advance	142,973	-	-	-	142,973
Unavailable Revenue	6,460,564	1,562,248	-	43,764	8,066,576
Total Deferred Inflows of Resources	<u>6,603,537</u>	<u>1,562,248</u>	<u>-</u>	<u>43,764</u>	<u>8,209,549</u>
FUND BALANCES					
Nonspendable	-	-	-	15,775	15,775
Restricted	5,161,529	23,056,705	209,934	34,551,365	62,979,533
Committed	15,986,972	-	-	-	15,986,972
Assigned	1,761,357	-	-	-	1,761,357
Unassigned	24,544,078	-	-	(471,079)	24,072,999
Total Fund Balances	<u>47,453,936</u>	<u>23,056,705</u>	<u>209,934</u>	<u>34,096,061</u>	<u>104,816,636</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 62,207,865</u>	<u>\$ 32,551,697</u>	<u>\$ 211,540</u>	<u>\$ 36,377,782</u>	<u>\$ 131,348,884</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

	General	Kennedy Middle School	Affordable Housing Trust	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real Estate and Personal Property Taxes	\$ 121,157,653	\$ -	\$ -	\$ -	\$ 121,157,653
Motor Vehicle and Other Excise Taxes	5,432,080	-	-	-	5,432,080
Hotel/Motel Tax	1,183,138	-	-	-	1,183,138
Tax and Trash Liens	88,680	-	-	-	88,680
Payments in Lieu of Taxes	39,555	-	-	-	39,555
Trash Disposal	1,151,167	-	-	-	1,151,167
Intergovernmental	34,172,887	19,279,237	-	7,679,319	61,131,443
Special Assessments	2,055	-	-	5,774	7,829
Penalties and Interest on Taxes	298,125	-	-	-	298,125
Licenses and Permits	2,514,431	-	-	-	2,514,431
Fines and Forfeitures	155,213	-	-	-	155,213
Departmental and Other	2,225,417	-	8,834	6,300,486	8,534,737
Contributions	-	-	15,000	637,031	652,031
Investment Income	2,153,651	-	-	53,147	2,206,798
Total Revenues	<u>170,574,052</u>	<u>19,279,237</u>	<u>23,834</u>	<u>14,675,757</u>	<u>204,552,880</u>
EXPENDITURES					
Current:					
General Government	6,160,823	-	290,296	1,101,147	7,552,266
Public Safety	17,387,103	-	-	6,485,086	23,872,189
Education	87,969,747	57,124,506	-	10,410,215	155,504,468
Public Works	13,139,741	-	-	5,474,542	18,614,283
Health and Human Services	1,800,275	-	-	965,205	2,765,480
Culture and Recreation	485,688	-	-	1,161,777	1,647,465
Library	2,458,231	-	-	25,061	2,483,292
Pension Benefits	10,070,307	-	-	-	10,070,307
Employee Benefits	15,928,995	-	-	-	15,928,995
Property and Liability Insurance	801,929	-	-	-	801,929
State and County Charges	1,396,120	-	-	-	1,396,120
Debt Service:					
Principal	9,262,659	-	-	-	9,262,659
Interest	6,230,113	-	-	-	6,230,113
Total Expenditures	<u>173,091,731</u>	<u>57,124,506</u>	<u>290,296</u>	<u>25,623,033</u>	<u>256,129,566</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,517,679)</u>	<u>(37,845,269)</u>	<u>(266,462)</u>	<u>(10,947,276)</u>	<u>(51,576,686)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds of Bonds and Notes	-	-	-	6,660,000	6,660,000
Premium from Issuance of Bonds and Notes	-	-	-	1,370,000	1,370,000
Proceeds of Refunding Bonds (Current)	22,483,000	-	-	-	22,483,000
Premium from Issuance of Refunding Bonds (Current)	5,526,417	-	-	-	5,526,417
Transfers In	2,798,397	-	115,000	-	2,913,397
Transfers Out	(355,000)	-	-	(203,167)	(558,167)
Debt Service - Principal - Current Refunding	(27,725,000)	-	-	-	(27,725,000)
Total Other Financing Sources (Uses)	<u>2,727,814</u>	<u>-</u>	<u>115,000</u>	<u>7,826,833</u>	<u>10,669,647</u>
NET CHANGE IN FUND BALANCES	210,135	(37,845,269)	(151,462)	(3,120,443)	(40,907,039)
Fund Balances - Beginning of Year	<u>47,243,801</u>	<u>60,901,974</u>	<u>361,396</u>	<u>37,216,504</u>	<u>145,723,675</u>
FUND BALANCES - END OF YEAR	<u>\$ 47,453,936</u>	<u>\$ 23,056,705</u>	<u>\$ 209,934</u>	<u>\$ 34,096,061</u>	<u>\$ 104,816,636</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Governmental Fund Balances	\$ 104,816,636
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	270,839,959
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	8,066,576
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due	(2,029,167)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds and Notes Payable, Net	(152,593,615)
Capital Lease Obligations	(210,742)
Workers' Compensation Claims	(24,607)
Landfill Post-Closure	(238,301)
Compensated Absences	(2,070,427)
Net Pension Liability	(73,464,157)
Total OPEB Liability	(189,425,266)
In the statement of net position, deferred outflows and inflows of resources are reported for amounts related to pensions and OPEB. This amount represents the net deferrals.	<u>(11,140,226)</u>
Net Position of Governmental Activities	<u><u>\$ (47,473,337)</u></u>

TOWN OF NATICK, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (40,907,039)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.

Capital Outlays	73,272,377
Depreciation	(9,077,581)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements.

This amount represents the net change in deferred inflows of resources. 3,419,776

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of material premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. These amounts represent the related activity of the current period.

Proceeds from Issuance of Bonds	(6,660,000)
Premium from Issuance of Bonds	(1,370,000)
Proceeds from Issuance of Refunding Bonds	(22,483,000)
Premium from Issuance of Refunding Bonds	(5,526,417)
Bond Maturities	9,262,659
Retirement of Refunded Bonds	27,725,000
Net Amortization of Bond Premiums	677,185
Capital Lease Maturities	67,112

In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable. 368,877

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

These amounts represent the net changes:

Workers' Compensation	27,115
Landfill Post-Closure	34,043
Compensated Absences	(247,426)
Net Pension Liability	16,224,958
Total OPEB Liability	(13,166,710)

In the statement of activities, deferred outflows and inflows of resources related to pensions and OPEB are amortized and recognized as pension expense. This amount represents the net change in deferred outflows and inflows related to pensions and OPEB. (7,780,852)

Changes in Net Position of Governmental Activities	\$ 23,860,077
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**TOWN OF NATICK, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Nonmajor Golf	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 3,870,918	\$ 187,955	\$ 4,058,873
Restricted Cash and Cash Equivalents	8,012,247	24,204	8,036,451
Investments	1,062,508	-	1,062,508
Receivables, Net of Allowance for Uncollectible Amounts:			
User Charges	4,282,908	-	4,282,908
Utility Liens	389,050	-	389,050
Special Assessments	2,843	-	2,843
Inventory	-	8,889	8,889
Total Current Assets	<u>17,620,474</u>	<u>221,048</u>	<u>17,841,522</u>
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Special Assessments	817,539	-	817,539
Intergovernmental	57,056	-	57,056
Capital Assets Not Being Depreciated	3,009,334	673,999	3,683,333
Capital Assets, Net of Accumulated Depreciation	39,108,055	1,435,216	40,543,271
Total Noncurrent Assets	<u>42,991,984</u>	<u>2,109,215</u>	<u>45,101,199</u>
Total Assets	<u>60,612,458</u>	<u>2,330,263</u>	<u>62,942,721</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	122,227	4,582	126,809
OPEB Related	241,161	24,571	265,732
Total Deferred Outflows of Resources	<u>363,388</u>	<u>29,153</u>	<u>392,541</u>
LIABILITIES			
Current Liabilities:			
Warrants Payable	983,591	31,662	1,015,253
Accrued Payroll	75,193	16,754	91,947
Accrued Interest	227,138	5,557	232,695
Total OPEB Liability - Due Within One Year	142,575	14,527	157,102
Long-Term Bonds and Notes Payable	2,047,510	168,438	2,215,948
Total Current Liabilities	<u>3,476,007</u>	<u>236,938</u>	<u>3,712,945</u>
Noncurrent Liabilities:			
Net Pension Liability	2,464,480	92,382	2,556,862
Total OPEB Liability	5,028,181	512,305	5,540,486
Long-Term Bonds and Notes Payable	17,571,231	298,990	17,870,221
Total Noncurrent Liabilities	<u>25,063,892</u>	<u>903,677</u>	<u>25,967,569</u>
Total Liabilities	<u>28,539,899</u>	<u>1,140,615</u>	<u>29,680,514</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	279,936	10,493	290,429
OPEB Related	416,929	42,480	459,409
Total Deferred Inflows of Resources	<u>696,865</u>	<u>52,973</u>	<u>749,838</u>
FUND NET POSITION			
Net Investment in Capital Assets	30,510,895	1,665,991	32,176,886
Unrestricted	1,228,187	(500,163)	728,024
Total Net Position	<u>\$ 31,739,082</u>	<u>\$ 1,165,828</u>	<u>\$ 32,904,910</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020**

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Nonmajor Golf	Total
OPERATING REVENUES			
Charges for Services	\$ 15,970,599	\$ 638,505	\$ 16,609,104
OPERATING EXPENSES			
Cost of Service and Administration	4,146,890	558,400	4,705,290
MWRA Assessment	6,034,261	-	6,034,261
Repairs and Maintenance	571,876	24,956	596,832
Depreciation	1,928,382	128,035	2,056,417
Total Operating Expenses	12,681,409	711,391	13,392,800
OPERATING INCOME (LOSS)	3,289,190	(72,886)	3,216,304
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental (Debt Subsidy)	50,741	-	50,741
Investment Income	203,802	168	203,970
Interest Expense	(489,831)	(20,402)	(510,233)
Total Nonoperating Revenues (Expenses), Net	(235,288)	(20,234)	(255,522)
INCOME (LOSS) BEFORE TRANSFERS	3,053,902	(93,120)	2,960,782
Transfers In	-	240,000	240,000
Transfers Out	(2,543,300)	(51,930)	(2,595,230)
Total Transfers, Net	(2,543,300)	188,070	(2,355,230)
CHANGE IN NET POSITION	510,602	94,950	605,552
Net Position - Beginning of Year	31,228,480	1,070,878	32,299,358
NET POSITION - END OF YEAR	<u>\$ 31,739,082</u>	<u>\$ 1,165,828</u>	<u>\$ 32,904,910</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Nonmajor Golf	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 15,747,112	\$ 638,505	\$ 16,385,617
Payments to Vendors	(8,217,044)	(284,116)	(8,501,160)
Payments to Employees	(2,105,120)	(294,238)	(2,399,358)
Net Cash Provided by Operating Activities	5,424,948	60,151	5,485,099
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	-	240,000	240,000
Transfers Out	(2,543,300)	(51,930)	(2,595,230)
Net Cash Provided (Used) by Noncapital Financing Activities	(2,543,300)	188,070	(2,355,230)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the Issuance of Bonds and Notes	4,775,000	-	4,775,000
Proceeds from the Issuance of Refunding Bonds	272,000	-	272,000
Premium from the Issuance of Bonds and Notes	535,000	-	535,000
Premium from Issuance of Refunding Bonds	42,214	-	42,214
Repayment of Advances from General Fund	(1,100,000)	-	(1,100,000)
Acquisition and Construction of Capital Assets	(3,791,474)	(77,161)	(3,868,635)
Principal Payments on Bonds and Notes	(1,946,605)	(216,540)	(2,163,145)
Principal Payments on Refunded Bonds	(305,000)	-	(305,000)
Interest Paid	(500,944)	(26,611)	(527,555)
Net Cash Used by Capital and Related Financing Activities	(2,019,809)	(320,312)	(2,340,121)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases/Sales of Investments, Net	(33,768)	-	(33,768)
Investment Income	203,802	168	203,970
Net Cash Provided by Investing Activities	170,034	168	170,202
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,031,873	(71,923)	959,950
Cash and Cash Equivalents - Beginning of Year (Includes \$7,631,304 and \$24,204 Reported as Restricted in the Water and Sewer and Nonmajor Enterprise Funds, Respectively)	10,851,292	284,082	11,135,374
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$8,012,247 and \$24,204 Reported as Restricted in the Water and Sewer and Nonmajor Enterprise Funds, Respectively)	\$ 11,883,165	\$ 212,159	\$ 12,095,324
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 3,289,190	\$ (72,886)	\$ 3,216,304
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	1,928,382	128,035	2,056,417
Change in Net Pension Liability	(544,294)	(20,401)	(564,695)
Change in Deferred Outflows - Pension Related	322,600	12,092	334,692
Changed in Deferred Inflows - Pension Related	162,788	6,102	168,890
Change in Total OPEB Liability	298,764	(2,322)	296,442
Changed in Deferred Outflows - OPEB Related	(101,070)	(9,356)	(110,426)
Change in Deferred Outflows - OPEB Related	(86,013)	(12,145)	(98,158)
Effect of Changes in Operating Assets and Liabilities:			
User Charges	(309,932)	-	(309,932)
Utility Liens	(151,347)	-	(151,347)
Special Assessments	237,796	-	237,796
Intergovernmental	(4)	-	(4)
Inventory	-	4,491	4,491
Warrants Payable	368,612	25,691	394,303
Accrued Payroll	9,476	850	10,326
Total Adjustments	2,135,758	133,037	2,268,795
Net Cash Provided by Operating Activities	\$ 5,424,948	\$ 60,151	\$ 5,485,099
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Intergovernmental Debt Subsidies (MCWT)	\$ 50,741	\$ -	\$ 50,741

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020**

ASSETS	Pension Trust Fund (as of December 31, 2019)	Private Purpose Trust Funds	Agency Funds
Cash and Cash Equivalents:	\$ 3,690,290	\$ 1,320	\$ 1,559,003
Investments:			
Equity Mutual Funds	90,713,204	281,852	-
Fixed Income Mutual Funds	31,901,072	-	-
Private Equity Fund	280,626	-	-
External Investment Pool (PRIT)	36,525,547	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Departmental and Other	-	-	348,885
Employer	5,200,319	-	-
Plan Member	100,370	-	-
Intergovernmental and Transfers	543,130	-	-
Total Assets	<u>168,954,558</u>	<u>283,172</u>	<u>\$ 1,907,888</u>
LIABILITIES			
Warrants Payable	552,505	-	18,774
Accrued Payroll	-	-	54,033
Liabilities Due Depositors	-	-	1,835,081
Due to Primary Government	-	9,583	-
Total Liabilities	<u>552,505</u>	<u>9,583</u>	<u>\$ 1,907,888</u>
NET POSITION			
Restricted for Pension Benefits and Other Purposes	<u>\$ 168,402,053</u>	<u>\$ 273,589</u>	

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2020**

	Pension Trust Fund (Year Ended December 31, 2019)	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 10,551,491	\$ -
Plan Members	<u>3,809,108</u>	<u>-</u>
Total Contributions	<u>14,360,599</u>	<u>-</u>
Net Investment Income:		
Net Appreciation in Fair Value of Investments	14,896,860	-
Interest	<u>11,378,696</u>	<u>8,057</u>
Total Investment Income	26,275,556	8,057
Less: Investment Expense	<u>(749,611)</u>	<u>-</u>
Net Investment Income	<u>25,525,945</u>	<u>8,057</u>
Intergovernmental	<u>140,409</u>	<u>-</u>
Total Additions	<u>40,026,953</u>	<u>8,057</u>
DEDUCTIONS		
Administration	313,177	-
Retirement Benefits, Including Reimbursements and Refunds	<u>13,892,595</u>	<u>-</u>
Total Deductions	<u>14,205,772</u>	<u>-</u>
CHANGE IN NET POSITION	25,821,181	8,057
Net Position - Beginning of Year	<u>142,580,872</u>	<u>265,532</u>
NET POSITION - END OF YEAR	<u>\$ 168,402,053</u>	<u>\$ 273,589</u>

See accompanying Notes to Financial Statements.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

B. Reporting Entity

The Town of Natick, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions, and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete.

Fiduciary Fund Component Unit

The Town has included the Natick Contributory Retirement System (System) as a component unit (fiduciary fund) in the reporting entity because of the significance of its operational and financial relationship with the Town. Fiduciary fund component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town.

The System was established to provide retirement benefits to Town employees, the Natick Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Comptroller (ex-officio), two members elected by the System's participants, one member appointed by the Town's Board of Selectmen, and one member appointed by the System's four other Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary funds' financial statements.

The System does not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC).

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Discretely Presented Component Unit

Discretely presented component units are entities that are legally separate from the Town, but are financially accountable to the Town, or whose relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town has included the Morse Institute in Natick (Institute) as a discretely presented component unit because the nature and significance of its relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading.

The Institute provides support to enhance the operations of the Town's public library and is exempt from federal and state income taxes as it is established under Section 501(c)(3) of the Internal Revenue Code.

The Institute issues separately audited cash basis financial statements, which is a comprehensive basis of accounting other than GAAP. The main difference is that the effect on earnings from accounts and pledges receivable as well as accounts payable and donated services are not recognized. Complete financial statements of the Institute, audited by another auditor, can be obtained directly from the Institute by contacting the Director at 14 East Central Street, Natick, Massachusetts 01760.

Joint Venture

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in one joint venture with other municipalities to pool resources and share the costs, risks, and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

South Middlesex Regional Vocational Technical High School District

The Town is indirectly liable for the South Middlesex Regional Vocational Technical High School District (District) debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's fiscal year 2020 assessment totaled \$1,554,748. Separate audited financial statements may be obtained by contacting the District at 750 Winter Street, Framingham, Massachusetts 01702.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Implementation of New Accounting Principles

For the year ending June 30, 2020, the Town implemented the following pronouncement issued by the GASB:

- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authorization Guidance*

The implementation of this Statement postponed the implementation of certain GASB pronouncements.

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government and its discretely presented component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are primarily supported by user fees. Likewise, the primary government is reported separately from legally separate discretely presented component units for which the primary government is financially accountable.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Fiduciary funds are reported by fund type.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment
- Grants and other contributions that are restricted to meeting the capital requirements of a specific function or segment

Taxes and other items not identifiable as program revenues are reported as general revenues. Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental funds financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The *Kennedy middle school* fund which is a capital project fund used to account for and report construction of the new Kennedy middle school.

The *affordable housing trust* fund which is a special revenue fund used to account for and report all activity pertaining to the affordable housing trust for which the primary revenue source is rental revenue.

The nonmajor governmental funds consist of special revenue, capital projects, debt service, and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

Proprietary funds financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following proprietary funds are reported:

The *water and sewer* enterprise fund is reported as a major fund and is used to account for the Town's water and sewer activities.

The *golf course* enterprise fund is reported as a nonmajor fund and is used to account for the Sassamon Trace golf course activities.

Fiduciary funds financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government's programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity and consist primarily of the police detail and school related funds. Agency funds do not present the results of operations or have a measurement focus.

F. Deposits and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value, net asset value (NAV), or amortized cost, as further discussed in Note 3.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide and proprietary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to receivables in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st, and May 1st and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Motor Vehicle Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

User Charges (Water and Sewer)

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed annually in December and are included as a lien on the property owner's tax bill. Water and sewer charges are recorded as receivables in the fiscal year of the commitment.

Special Assessments

Special assessments consist of sewer, sidewalk, street, RUST, and Title V betterments and are recorded as receivables in the fiscal year accrued.

Departmental and Other

Departmental and other receivables primarily consist of ambulance, police details, and trash (Pay as you Throw (PAYT) program) and are recorded as receivables in the fiscal year accrued.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

Intergovernmental

Various state and federal operating and capital grants are applied for and received annually. For nonexpenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

H. Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other (excluding the PAYT program)

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- User charges (water and sewer, including liens)
- Special assessments
- Departmental and other (PAYT program)

Intergovernmental receivables are considered 100% collectible.

I. Inventories

Government-Wide and Fund Financial Statements

Inventories of the governmental activities, governmental funds and water and sewer enterprise fund are recorded as expenditures at the time of purchase. Such inventories consist primarily of supplies and are not material in total to the respective financial statements and therefore are not reported.

Inventories of the golf course enterprise fund are stated at weighted average cost.

J. Restricted Assets

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Government-Wide and Proprietary Funds Financial Statements

Capital assets, which consist of land, construction in progress, land improvements, buildings, machinery and equipment, vehicles, library books, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated acquisition value at the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land Improvements	20 to 30
Buildings	20 to 40
Machinery and Equipment	5 to 10
Vehicles	5 to 15
Library Books	10
Infrastructure	10 to 50
Leasehold Improvements	Shorter of estimated life or lease term

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. All improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

L. Interfund Receivables and Payables

During the course of its operations, transactions occur between funds that may result in amounts owed between funds.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Receivables and Payables (Continued)

Government-Wide Financial Statements

Transactions of a buyer/seller nature between governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances."

Fund Financial Statements

Transactions of a buyer/seller nature between funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

M. Interfund Transfers

During the course of its operations, resources are permanently reallocated between funds.

Government-Wide Financial Statements

Transfers between governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, Net".

Fund Financial Statements

Transfers between funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

N. Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until that time.

Deferred outflows of resources related to pensions and OPEB are reported in the government-wide and proprietary funds statements of net position.

O. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Inflows of Resources (Continued)

Deferred inflows of resources for unavailable revenue and taxes collected in advance are reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

Deferred inflows of resources related to pensions, OPEB and taxes collected in advance are reported in the government-wide and proprietary funds statements of net position.

P. Net Position and Fund Balances

Government-Wide Financial Statements and Proprietary Funds Financial Statements (Net Position)

Net position represents the residual difference between assets and deferred outflows less liabilities and deferred inflows.

Net position are reported as restricted when amounts are restricted by outside parties for a specific future use. Net position has been “restricted” for the following:

“Other postemployment benefits” represents amounts restricted for retirees’ benefits (see Note 11).

“Conservation commission” represents amounts restricted for conservation projects.

“Infrastructure” represents amounts restricted for infrastructure improvements from mitigation funds.

“Special education” represents amounts restricted for special education costs from Massachusetts “circuit breaker” funds.

“Debt service” represents amounts accumulated from the Massachusetts School Building Authority (MSBA) for future payment of long-term debt service costs associated with school construction and net bond premiums associated with excluded debt. These amounts will be amortized over future fiscal years.

“Permanent funds – expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds – nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Other specific purposes” represents restrictions placed on assets from outside parties.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances (Continued)

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town Meeting.

Assigned — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town's structure, authorized assignments for noncontractual encumbrances can be made by individual department heads.

Unassigned — represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

Q. Long-Term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary funds statements of net position. Material bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the interest method. Bonds payable are reported net of the applicable bond premium or discount.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Long-Term Debt (Continued)

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

R. Investment Income

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income derived from the proprietary and fiduciary funds is retained in the respective funds.

S. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

T. Pensions

Government-Wide and Proprietary Fund Financial Statements

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Postretirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits and as more fully described in Note 11, the Town provides health and life insurance coverage for current and future retirees and their spouses.

V. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

W. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases or transfers between departments subsequent to the approval of the annual budget require Special Town Meeting approval.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

Generally, expenditures may not exceed the legal level of spending (salaries, expenses, and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service and other certain amounts, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2020 approved budget for the general fund authorized \$157,211,205 in appropriations and other amounts to be raised. During fiscal year 2020, supplemental appropriations totaling \$4,520,874 were authorized.

The Comptroller's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Fund Deficits

At June 30, 2020, the following fund deficits exist:

Fund	Amount	Funding Source
Chapter 90	\$ 260,968	Grant Proceeds
Teacher Quality	56,701	Grant Proceeds
Title I	55,224	Grant Proceeds
Other Funds	42,707	Grant Proceeds/Available Funds
COVID-19 Funds	33,084	Grant Proceeds
911 Training Grant	22,395	Grant Proceeds
Total Deficits	<u>\$ 471,079</u>	

NOTE 3 DEPOSITS AND INVESTMENTS

Town (Excluding the Pension Trust Fund and Institute)

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts, and the State Treasurer's Investment Pool (the Pool). The Treasurer also has expanded investment powers as it relates to certain trust funds (as defined by the Commonwealth), permanent funds, and fiduciary funds.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The Pool meets the criteria of an external investment pool. The Pool is administrated by the Massachusetts Municipal Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the private purpose trust funds and the pension trust fund are held separately from other Town funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2020, \$12,425,538 of the Town's bank balance of \$120,678,117 was uninsured and uncollateralized. The carrying value of the Town's deposits totaled \$117,395,474 at June 30, 2020.

Investments Summary

The Town's investments at June 30, 2020 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
<u>Debt Securities:</u>				
U.S. Treasuries	\$ 2,048,914	\$ 856,710	\$ 1,192,204	\$ -
U.S. Agencies	1,356,655	-	1,140,222	216,433
Corporate Bonds	3,852,859	1,385,715	2,467,144	-
Money Market Mutual Funds	1,851,461	1,851,461	-	-
Fixed Income Mutual Funds	1,253,285	1,253,285	-	-
Certificates of Deposit	1,636,133	632,117	1,004,016	-
External Investment Pool (MMDT)	2,286,098	2,286,098	-	-
Total Debt Securities	14,285,405	\$ 8,265,386	\$ 5,803,586	\$ 216,433
<u>Other Investments:</u>				
Equity Securities	1,481,932			
Equity Mutual Funds	2,374,118			
Total Other Investments	3,856,050			
Total Investments	\$ 18,141,455			

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2020, the Town's investments were not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2020, the credit quality ratings of the Town's debt securities are as follows:

Investment Type	Total Amount	Quality Ratings *								Unrated
		AAA	AA+	AA-	A+	A	A-	BBB+	BBB	
Corporate Bonds	\$ 3,852,859	\$ 45,732	\$ -	\$ 291,300	\$ 982,259	\$ 635,673	\$ 705,564	\$ 919,564	\$ 272,767	\$ -
U.S. Agencies	1,356,655	-	1,356,655	-	-	-	-	-	-	-
Fixed Income Mutual Funds	1,253,285	-	-	-	-	-	-	-	-	1,253,285
Money Market Mutual Funds	1,851,461	-	-	-	-	-	-	-	-	1,851,461
Certificates of Deposit	1,636,133	-	-	-	-	-	-	-	-	1,636,133
External Investment Pools	2,286,098	-	-	-	-	-	-	-	-	2,286,098
Total	<u>\$12,236,491</u>	<u>\$ 45,732</u>	<u>\$1,356,655</u>	<u>\$ 291,300</u>	<u>\$ 982,259</u>	<u>\$ 635,673</u>	<u>\$ 705,564</u>	<u>\$ 919,564</u>	<u>\$ 272,767</u>	<u>\$7,026,977</u>

*Per the rating scale of Standard and Poor's.

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2020, the Town's exposure to concentration of credit risk was as follows:

Issuer	Fair Value	Percentage of Total Investments
Federal Farm Credit Bank	\$ 820,212	5.86%

Investments – Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Fair Value Measurements (Continued)

The Town has the following recurring fair value measurements as of June 30, 2020:

Investment Type	Total Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equity Securities	\$ 1,481,932	\$ 1,481,932	\$ -	\$ -
Equity Mutual Funds	2,374,118	2,374,118	-	-
Money Market Mutual Funds	1,851,461	1,851,461	-	-
U.S. Treasuries	2,048,914	2,048,914	-	-
U.S. Agencies	1,356,655	1,356,655	-	-
Corporate Bonds	3,852,859	-	3,852,859	-
Fixed Income Securities	1,253,285	-	1,253,285	-
Certificates of Deposit	1,636,133	-	1,636,133	-
Total Investments by Fair Value Level	15,855,357	<u>\$ 9,113,080</u>	<u>\$ 6,742,277</u>	<u>\$ -</u>
Investments measured at Amortized Cost:				
External Investment Pool (MMDT)	<u>2,286,098</u>			
Total Investments	\$ 18,141,455			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Pension Trust Fund (The System)

The System has expanded investment powers, including the ability to invest in equity securities, corporate bonds, and other specified investments.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory oversight. PRIT is administered by the Pension Reserves Investment Management Board. The reported value of the pool is the same as the fair value of the System's position in pool shares.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2019, the System was not exposed to custodial credit risk. The carrying value of the System's deposits totaled \$784,655 at December 31, 2019.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments Summary

The System's investments at December 31, 2019 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years) Less Than 1
<u>Debt Securities:</u>		
Money Market Mutual Funds	\$ 2,905,635	\$ 2,905,635
Fixed Income Mutual Funds	31,901,072	31,901,072
External Investment Pool	36,525,547	36,525,547
Total Debt Securities	<u>71,332,254</u>	<u>\$ 71,332,254</u>
<u>Other Investments:</u>		
Equity Mutual Funds	90,713,204	
Private Equity Fund	280,626	
Total Other Investments	<u>90,993,830</u>	
Total Investments	<u>\$ 162,326,084</u>	

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System's policy regarding interest rate risk is that the duration of the fixed income portfolio shall be maintained within a range of +/- 15% of the duration of the fixed income benchmark designated in the "Manager Specific Guidelines."

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. As of December 31, 2019, the System's investments were not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. As of December 31, 2019, the System's debt securities were unrated by a national credit rating organization.

Investments - Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System does not have a policy for concentration of credit risk. As of December 31, 2019, the System was not exposed to concentration of credit risk.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. The System does not have a policy for foreign currency risk. As of December 31, 2019, the System had indirect exposure to foreign currency risk for certain equity mutual funds investments in the amount of \$36,954,714.

Investments - Fair Value Measurements

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The System has the following recurring fair value measurements as of December 31, 2019:

Investment Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Money Market Mutual Funds	\$ 2,905,635	\$ 2,905,635	\$ -	\$ -
Equity Mutual Funds	90,713,204	90,713,204	-	-
Fixed Income Mutual Funds	31,901,072	31,901,072	-	-
Total Investments by Fair Value Level	125,519,911	<u>\$ 125,519,911</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at the NAV:				
External Investment Pool (PRIT)	36,525,547			
Private Equity Fund	280,626			
Total Investments measured at the NAV	36,806,173			
Total Investments	\$ 162,326,084			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

The valuation method for investments measured at the net asset value (NAV) per share or its equivalent) is presented on the following table.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
External Investment Pool (PRIT) (1)	\$ 36,525,547	\$ -	Monthly	24 Hours
Private Equity Fund (2)	280,626	262,516	N/A	N/A
Total Investments Measured at the NAV	<u>\$ 36,806,173</u>			

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments - Fair Value Measurements (Continued)

- (1) The PRIT fund is an external investment pool that is not registered with the Securities and Exchange Commission but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. The fair value of the PRIT pooled fund is based on unit value (NAV) as reported by management of the PRIT fund.
- (2) Private Equity Fund: This type includes an investment in a partnership with an investment objective to carry on business of investor funds in limited partnerships interest based primarily in North America. The fair values of the investment in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. The investments can never be redeemed with the funds. Distributions from each of these funds will be received as the underlying investments of the funds are liquidated. The funds are in the liquidation process.

The Institute (Discretely Presented Component Unit)

Investments Summary

The Institute's investments at June 30, 2020 are presented below. All investments are presented by investment type.

<u>Investment Type</u>	<u>Fair Value</u>
Common and Preferred Stock	<u>\$ 2,305,390</u>

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2020, receivables for the individual major governmental funds and nonmajor governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Receivables:			
Real Estate and Personal Property Taxes	\$ 2,947,846	\$ (179,305)	\$ 2,768,541
Real Estate Tax Deferrals	599,463	-	599,463
Tax and Trash Liens	2,318,883	-	2,318,883
Motor Vehicle and Other Excise Taxes	1,063,717	(264,292)	799,425
Special Assessments	52,436	-	52,436
Departmental and Other	746,359	-	746,359
Intergovernmental	4,022,281	-	4,022,281
Total	<u>\$ 11,750,985</u>	<u>\$ (443,597)</u>	<u>\$ 11,307,388</u>

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

At June 30, 2020, receivables for the water and sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
User Charges	\$ 4,282,908	\$ -	\$ 4,282,908
Utility Liens	389,050	-	389,050
Special Assessments	820,382	-	820,382
Intergovernmental	57,056	-	57,056
Total	\$ 5,549,396	\$ -	\$ 5,549,396

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 17,250,386	\$ -	\$ -	\$ 17,250,386
Construction in Progress	13,166,320	66,076,804	(252,492)	78,990,632
Total Capital Assets Not Being Depreciated	30,416,706	66,076,804	(252,492)	96,241,018
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	9,762,419	946,081	-	10,708,500
Leasehold Improvements	627,636	-	-	627,636
Buildings	187,291,903	624,639	-	187,916,542
Machinery and Equipment	16,978,625	38,137	-	17,016,762
Vehicles	11,687,964	1,758,603	(327,128)	13,119,439
Library Books	4,135,998	227,918	-	4,363,916
Infrastructure	71,183,328	3,852,687	-	75,036,015
Total Capital Assets Being Depreciated	301,667,873	7,448,065	(327,128)	308,788,810
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(3,170,459)	(417,558)	-	(3,588,017)
Leasehold Improvements	(94,145)	(41,842)	-	(135,987)
Buildings	(66,411,523)	(5,007,493)	-	(71,419,016)
Machinery and Equipment	(11,527,093)	(1,014,918)	-	(12,542,011)
Vehicles	(7,689,681)	(1,040,898)	327,128	(8,403,451)
Library Books	(3,074,762)	(199,535)	-	(3,274,297)
Infrastructure	(33,471,753)	(1,355,337)	-	(34,827,090)
Total Accumulated Depreciation	(125,439,416)	(9,077,581)	327,128	(134,189,869)
Total Capital Assets Being Depreciated, Net	176,228,457	(1,629,516)	-	174,598,941
Total Governmental Activities Capital Assets, Net	\$ 206,645,163	\$ 64,447,288	\$ (252,492)	\$ 270,839,959

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activity- Water/Sewer Enterprise:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 379,255	\$ -	\$ -	\$ 379,255
Construction in Progress	3,063,065	1,483,670	(1,916,656)	2,630,079
Total Capital Assets Not Being Depreciated	3,442,320	1,483,670	(1,916,656)	3,009,334
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	189,023	-	-	189,023
Buildings and Improvements	562,150	51,875	-	614,025
Machinery and Equipment	1,605,941	452,968	-	2,058,909
Vehicles	2,172,016	44,981	-	2,216,997
Infrastructure	67,235,278	3,674,636	-	70,909,914
Total Capital Assets Being Depreciated	71,764,408	4,224,460	-	75,988,868
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(127,589)	(9,451)	-	(137,040)
Buildings and Improvements	(69,786)	(16,804)	-	(86,590)
Machinery and Equipment	(935,662)	(123,093)	-	(1,058,755)
Vehicles	(1,366,423)	(343,658)	-	(1,710,081)
Infrastructure	(32,452,971)	(1,435,376)	-	(33,888,347)
Total Accumulated Depreciation	(34,952,431)	(1,928,382)	-	(36,880,813)
Total Capital Assets Being Depreciated, Net	36,811,977	2,296,078	-	39,108,055
Total Water/Sewer Enterprise Capital Assets, Net	<u>\$ 40,254,297</u>	<u>\$ 3,779,748</u>	<u>\$ (1,916,656)</u>	<u>\$ 42,117,389</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activity- Golf Course Enterprise:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 673,999	\$ -	\$ -	\$ 673,999
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	2,518,439	-	-	2,518,439
Buildings	276,453	-	-	276,453
Machinery and Equipment	203,428	77,161	-	280,589
Vehicles	18,940	-	-	18,940
Total Capital Assets Being Depreciated	3,017,260	77,161	-	3,094,421
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(1,431,997)	(90,409)	-	(1,522,406)
Buildings	(69,162)	(8,279)	-	(77,441)
Machinery and Equipment	(20,541)	(25,559)	-	(46,100)
Vehicles	(9,470)	(3,788)	-	(13,258)
Total Accumulated Depreciation	(1,531,170)	(128,035)	-	(1,659,205)
Total Capital Assets Being Depreciated, Net	1,486,090	(50,874)	-	1,435,216
Total Golf Course Enterprise Capital Assets, Net	<u>\$ 2,160,089</u>	<u>\$ (50,874)</u>	<u>\$ -</u>	<u>\$ 2,109,215</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 42,414,386</u>	<u>\$ 3,728,874</u>	<u>\$ (1,916,656)</u>	<u>\$ 44,226,604</u>

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$ 466,546
Public Safety	811,566
Education	3,969,980
Public Works	3,032,184
Health and Human Services	252,234
Culture and Recreation	404,502
Library	140,569
Total Depreciation Expense - Governmental Activities	<u>\$ 9,077,581</u>

Business-Type Activities:

Water and Sewer	\$ 1,928,382
Golf	128,035
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,056,417</u>

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivables and payables between funds at June 30, 2020 are summarized as follows:

Receivable Fund	Payable Fund	Amount
General	Private Purpose Trust	\$ 9,583 (1)

(1) Represents advances from general fund to private purpose trust funds

Interfund transfers for the fiscal year ended June 30, 2020 are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	Kennedy Middle School	Nonmajor Golf Enterprise Fund	Total
General Fund	\$ -	\$ 115,000	\$ 240,000	\$ 355,000 (1)
Nonmajor Governmental Funds	203,167	-	-	203,167 (2)
Water/Sewer Enterprise Fund	2,543,300	-	-	2,543,300 (3)
Nonmajor Golf Enterprise Fund	51,930	-	-	51,930 (4)
Total	<u>\$ 2,798,397</u>	<u>\$ 115,000</u>	<u>\$ 240,000</u>	<u>\$ 3,153,397</u>

(1) Represents budgeted transfers to the Affordable Housing Trust (\$115,000), and a subsidy of operating expenses for the golf enterprise fund (\$240,000).

(2) Represents budgeted transfers to the general fund from School Building Assistance (\$123,167) and Parking Receipts (\$80,000).

(3) Represents budgeted transfer of indirect costs.

(4) Represents budgeted transfer of indirect costs.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the governmental funds and enterprise funds, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2020 is as follows:

Notes Payable - Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2019	Increases	Decreases	Balance at June 30, 2020
BAN	Navy Yard Reconstruction	6/28/19	2/21/20	2.25%	\$ 1,040,000	\$ -	\$ (1,040,000)	* \$ -
	Total				<u>\$ 1,040,000</u>	<u>\$ -</u>	<u>\$ (1,040,000)</u>	<u>\$ -</u>

NOTE 8 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Bonds and Notes Payable	\$ 144,365,460	\$ 29,143,000	\$ (36,967,460)	\$ 136,541,000	\$ 9,156,000
Notes from Direct Borrowings	103,243	-	(20,199)	83,044	12,602
Unamortized Bond Premiums	9,750,339	6,896,417	(677,185)	15,969,571	1,179,587
Total Bonds and Notes Payable	<u>154,219,042</u>	<u>36,039,417</u>	<u>(37,664,844)</u>	<u>152,593,615</u>	<u>10,348,189</u>
Capital Lease Obligations	277,854	-	(67,112)	210,742	68,656
Workers' Compensation Claims	51,722	674,156	(701,271)	24,607	12,303
Landfill Post-Closure	272,344	-	(34,043)	238,301	34,043
Compensated Absences	1,823,001	315,524	(68,098)	2,070,427	207,043
Total	<u>\$ 156,643,963</u>	<u>\$ 37,029,097</u>	<u>\$ (38,535,368)</u>	<u>\$ 155,137,692</u>	<u>\$ 10,670,234</u>
Business-Type Activities:					
Bonds and Notes Payable	\$ 13,594,541	\$ 5,047,000	\$ (2,117,540)	\$ 16,524,001	\$ 1,739,000
Notes from Direct Borrowings	2,379,140	-	(350,605)	2,028,535	360,352
Unamortized Bond Premiums	1,065,980	577,214	(109,561)	1,533,633	116,596
Total	<u>\$ 17,039,661</u>	<u>\$ 5,624,214</u>	<u>\$ (2,577,706)</u>	<u>\$ 20,086,169</u>	<u>\$ 2,215,948</u>

The governmental activities long-term liabilities are generally liquidated by the general fund.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2020 and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2019	Issued	Redeemed	Outstanding at June 30, 2020
Septic Title V (MCWT) T5-97-1026 *	08/01/19	0.00%	\$ 7,597	\$ -	\$ (7,597)	\$ -
Septic Title V (MCWT) T5-97-1026-1 *	08/01/22	0.00%	20,646	-	(5,102)	15,544
Septic Title V (MCWT) T5-97-1026-B *	07/15/28	0.00%	75,000	-	(7,500)	67,500
M.P.L. of 2010	06/15/20	2.00-2.75%	325,000	-	(325,000)	-
M.P.L. of 2011	06/15/31	2.00-5.00%	30,460,000	-	(30,460,000)	-
M.P.L. of 2012	06/01/24	2.00-4.00%	725,000	-	(175,000)	550,000
General Obligation Current Refunding Bonds of 2012	08/01/20	1.00-4.00%	185,460	-	(142,460)	43,000
M.P.L. of 2013	04/15/33	2.00-4.00%	4,335,000	-	(490,000)	3,845,000
General Obligation Current Refunding Bonds of 2014	06/15/24	2.00-5.00%	2,555,000	-	(520,000)	2,035,000
M.P.L. of 2014	06/15/29	2.00-5.00%	1,795,000	-	(375,000)	1,420,000
M.P.L. of 2015	06/30/30	2.50-3.00%	1,530,000	-	(280,000)	1,250,000
M.P.L. of 2016	11/01/35	1.35-4.00%	2,570,000	-	(300,000)	2,270,000
M.P.L. of 2017	04/15/37	3.125-5.00%	7,215,000	-	(880,000)	6,335,000
M.P.L. of 2017	07/15/37	3.00-4.00%	4,375,000	-	(385,000)	3,990,000
M.P.L. of 2018	07/15/38	4.00-5.00%	85,200,000	-	(2,635,000)	82,565,000
M.P.L. of 2020	08/01/33	2.00-5.00%	3,095,000	6,660,000	-	9,755,000
General Obligation Current Refunding Bonds of 2020	06/15/31	4.00-5.00%	-	22,483,000	-	22,483,000
Total Governmental Funds			<u>\$ 144,468,703</u>	<u>\$ 29,143,000</u>	<u>\$ (36,987,659)</u>	<u>\$ 136,624,044</u>

*Notes from direct borrowings

Debt service requirements for principal and interest for governmental bonds and notes payable in future fiscal years as follows:

Fiscal Year	Bonded Debt		Notes from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2021	\$ 9,156,000	\$ 6,570,832	\$ 12,602	\$ 650	\$ 15,740,084
2022	8,900,000	5,200,270	12,721	392	14,113,383
2023	8,725,000	4,809,020	12,721	131	13,546,872
2024	8,695,000	4,439,407	7,500	-	13,141,907
2025	8,335,000	4,065,273	7,500	-	12,407,773
2026	8,050,000	3,694,691	7,500	-	11,752,191
2027	7,900,000	3,328,704	7,500	-	11,236,204
2028	7,985,000	2,966,079	7,500	-	10,958,579
2029	8,065,000	2,603,609	7,500	-	10,676,109
2030	8,055,000	2,241,164	-	-	10,296,164
2031	8,135,000	1,901,003	-	-	10,036,003
2032	6,185,000	1,581,600	-	-	7,766,600
2033	6,115,000	1,355,831	-	-	7,470,831
2034	5,890,000	1,136,300	-	-	7,026,300
2035	5,490,000	930,950	-	-	6,420,950
2036	5,135,000	728,500	-	-	5,863,500
2037	5,245,000	522,825	-	-	5,767,825
2038	5,210,000	314,425	-	-	5,524,425
2039	5,270,000	105,400	-	-	5,375,400
Total	<u>\$ 136,541,000</u>	<u>\$ 48,495,881</u>	<u>\$ 83,044</u>	<u>\$ 1,173</u>	<u>\$ 185,121,098</u>

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Enterprise Fund (Water and Sewer)

Project	Maturity Dates	Interest Rate	Outstanding at June 30, 2019	Issued	Redeemed	Outstanding at June 30, 2020
Water Treatment (MCWT) *	08/01/24	2.00%	\$ 1,983,500	\$ -	\$ (302,155)	\$ 1,681,345
M.P.L. of 2010-Sewer	06/15/20	2.00-3.25%	30,000	-	(30,000)	-
M.P.L. of 2010-Departmental Equipment - Sewer	06/15/20	2.00-3.25%	25,000	-	(25,000)	-
M.P.L. of 2010-Water Mains - Lining	06/15/20	2.00-3.25%	60,000	-	(60,000)	-
M.P.L. of 2010-Well	06/15/20	2.00-3.25%	25,000	-	(25,000)	-
M.P.L. of 2010-Water Departmental Equipment	06/15/20	2.00-3.25%	50,000	-	(50,000)	-
M.P.L. of 2011-Water Mains - Lining	06/15/26	2.00-5.00%	360,000	-	(360,000)	-
Well	06/01/22	2.00-4.00%	90,000	-	(30,000)	60,000
Water Departmental Equipment	06/01/22	2.00-4.00%	75,000	-	(25,000)	50,000
Building Remodeling - Sewer	06/01/22	2.00-4.00%	150,000	-	(50,000)	100,000
General Obligation Current Refunding Bonds of 2012	08/01/20	1.00-4.00%	158,000	-	(101,000)	57,000
Sewer	04/15/28	2.00-4.00%	990,000	-	(110,000)	880,000
Water Departmental Equipment	04/15/23	2.00-4.00%	80,000	-	(20,000)	60,000
Well	04/15/23	2.00-4.00%	120,000	-	(30,000)	90,000
Sewer Current Refunding	04/15/22	2.00-4.00%	80,000	-	(30,000)	50,000
M.P.L. of 2014 Sewer	06/15/23	2.00-5.00%	135,000	-	(75,000)	60,000
M.P.L. of 2014 Water	06/15/29	2.00-5.00%	545,000	-	(75,000)	470,000
Sewer (MWRA) *	02/15/25	0.00%	121,230	-	(20,205)	101,025
M.P.L. of 2016 - Refunding	11/01/26	1.35-4.00%	805,000	-	(105,000)	700,000
M.P.L. of 2016 - Sewer	11/01/25	1.35-4.00%	75,000	-	(15,000)	60,000
M.P.L. of 2017	04/15/37	3.125-5.00%	3,455,000	-	(345,000)	3,110,000
Sewer (MWRA) *	05/15/27	0.00%	32,160	-	(4,020)	28,140
M.P.L. of 2017 - Sewer Station	07/15/27	4.00%	75,000	-	(10,000)	65,000
M.P.L. of 2017 -Water/Sewer Infrastructure	07/15/37	3.00-4.00%	2,775,000	-	(150,000)	2,625,000
M.P.L. of 2017 - Replace Ground Water Wells	07/15/37	3.00-4.00%	350,000	-	(20,000)	330,000
M.P.L. of 2017 - Water Main Upgrade	07/15/37	3.00-4.00%	315,000	-	(20,000)	295,000
Sewer (MWRA) *	08/23/19	0.00%	242,250	-	(24,225)	218,025
M.P.L. of 2018	07/15/38	5.00%	1,585,000	-	(140,000)	1,445,000
M.P.L. of 2020	08/01/39	2.00-5.00%	520,000	4,775,000	-	5,295,000
General Obligation Current Refunding Bonds of 2020	06/15/26	4.00-5.00%	-	272,000	-	272,000
Total Water/Sewer Enterprise Fund			<u>\$ 15,307,140</u>	<u>\$ 5,047,000</u>	<u>\$ (2,251,605)</u>	<u>\$ 18,102,535</u>

*Notes from direct borrowings

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 LONG-TERM DEBT (CONTINUED)

Debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Bonded Debt		Notes from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2021	\$ 1,574,000	\$ 531,812	\$ 360,352	\$ 65,490	\$ 2,531,654
2022	1,505,000	475,317	374,972	49,922	2,405,211
2023	1,350,000	413,792	384,719	32,945	2,181,456
2024	1,255,000	361,150	399,339	15,025	2,030,514
2025	1,175,000	235,806	404,213	-	1,815,019
2026	1,155,000	198,231	28,245	-	1,381,476
2027	1,005,000	161,473	28,245	-	1,194,718
2028	870,000	132,363	24,225	-	1,026,588
2029	705,000	108,888	24,225	-	838,113
2030	650,000	92,388	-	-	742,388
2031	625,000	77,863	-	-	702,863
2032	620,000	64,563	-	-	684,563
2033	520,000	50,888	-	-	570,888
2034	520,000	41,763	-	-	561,763
2035	520,000	32,763	-	-	552,763
2036	515,000	23,763	-	-	538,763
2037	515,000	14,913	-	-	529,913
2038	460,000	6,084	-	-	466,084
2039	285,000	1,528	-	-	286,528
2040	250,000	281	-	-	250,281
Total	<u>\$ 16,074,000</u>	<u>\$ 3,025,626</u>	<u>\$ 2,028,535</u>	<u>\$ 163,382</u>	<u>\$ 21,291,543</u>

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Enterprise Fund (Golf)

Project	Maturity Dates	Interest Rate	Outstanding at June 30, 2019	Issued	Redeemed	Outstanding at June 30, 2020
General Obligation Current Refunding Bonds of 2012	08/01/19	1.00-4.00%	\$ 36,540	\$ -	\$ (36,540)	\$ -
Municipal Golf Course Current Refunding	04/15/22	2.00-4.00%	375,000	-	(125,000)	250,000
M.P.L. of 2016	04/23/32	1.35 -4.00%	5,000	-	(5,000)	-
M.P.L. of 2017	04/15/32	2.00-5.00%	70,000	-	(10,000)	60,000
M.P.L. of 2017 - Golf Cart Fleet Replacement	07/15/22	4.00%	80,000	-	(20,000)	60,000
M.P.L. of 2018	07/15/25	5.00%	100,000	-	(20,000)	80,000
Total Golf Enterprise Fund			<u>\$ 666,540</u>	<u>\$ -</u>	<u>\$ (216,540)</u>	<u>\$ 450,000</u>

Debt service requirements for principal and interest for golf course enterprise fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 165,000	\$ 18,225	\$ 183,225
2022	165,000	11,425	176,425
2023	40,000	4,625	44,625
2024	20,000	3,225	23,225
2025	15,000	2,350	17,350
2026	15,000	1,600	16,600
2027	5,000	1,100	6,100
2028	5,000	850	5,850
2029	5,000	650	5,650
2030	5,000	500	5,500
2031	5,000	350	5,350
2032	5,000	200	5,200
Total	<u>\$ 450,000</u>	<u>\$ 45,100</u>	<u>\$ 495,100</u>

On January 29, 2020, the Town issued \$15,050,000 of General Obligation Bonds. \$3,615,000 of the proceeds were used to retire BAN's outstanding which were recognized as long term debt in fiscal year 2019. The remaining proceeds were for roadway and sidewalk improvements, water and sewer related improvements, and other various departmental replacements and purchases.

On June 11, 2020, the Town issued \$22,755,000 in General Obligation Refunding Bonds to redeem \$28,030,000 of previously issued and outstanding bonds. The net proceeds from the refunding were used to redeem the outstanding bonds and the related accrued interest. The refunding resulted in an economic gain of \$4,543,721 with total savings of \$4,776,203.

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Principal and interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2020, the Town's subsidy totaled approximately \$52,000. Future subsidies total approximately \$187,000. The amount of MCWT bonds outstanding at June 30, 2020, totaled \$1,764,389.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 LONG-TERM DEBT (CONTINUED)

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and noninterest-bearing loan (payable in five equal annual installments). At June 30, 2020, the outstanding principal amount of these loans totaled \$347,190.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2020, the Town had the following authorized and unissued debt:

Purpose	Amount
Kennedy Middle School Construction - EXEMPT	\$ 40,366,762
Land Acquisition (22 Pleasant Street)	3,200,000
Charles River Dam Engineering/Repairs	1,250,000
Sewer	726,750
Parking Garage	540,000
Sewer I & I	359,480
Main Street Improvements	280,000
Pine Street Roadway	153,000
Water	150,000
Departmental Equipment - DCC Controls	150,000
Water Distribution System Enhancements	150,000
Engineering Charles River Bridge	125,000
Charles River Dam	100,000
Police Replace Rooftop HVAC Unit	55,000
Cole North Field	30,000
Cole Center Air Handler	20,000
Total	<u><u>\$ 47,655,992</u></u>

NOTE 10 LANDFILL POSTCLOSURE CARE

State and federal laws and regulations required the Town to close its old landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1988 and, accordingly, was subsequently capped and funded via long-term debt. The Town has reflected \$238,301 as the estimated landfill post-closure care liability at June 30, 2020. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Town provides health, dental and life insurance benefits, in accordance with state statute and Town ordinance, to participating retirees and their beneficiaries (hereinafter referred to as the Plan) as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to the plan design and contributions rates must be accomplished through the collective bargaining process. The Plan does not issue a stand-alone financial report.

The Town has established an OPEB Trust pursuant to the adoption of MGL Chapter 32B, Section 20. The assets placed in this trust do not meet the criteria in paragraph 4 of Statement No. 75 and as such the funds accumulated are reported in the general fund as restricted fund balance. At June 30, 2020, the OPEB restricted fund balance totaled \$4,452,062.

Benefits Provided

The Town provides health, dental and life insurance coverage for its retirees and their survivors. The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance contribution rates of Plan members and the Town (including Medicare Part B) are 50%, respectively. The Plan members and Town each contribute 50% towards a \$5,000 term life insurance premium. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by benefit terms.

Active Employees	1,119
Retired Employees and Spouses	<u>901</u>
Total	<u><u>2,020</u></u>

Total OPEB Liability

The Town's total OPEB liability of \$195,122,854 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018 for which updated procedures were used to roll forward the total OPEB liability to the measurement date.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation and other inputs, applied to all periods included in the measurement, unless otherwise specified.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Discount Rate:	3.50% (20-year Municipal General Obligation bonds at June 30, 2019)
Healthcare/Medical cost trend rate:	8.00% in 2019 to an ultimate level of 5.00% in 2025
Projected salary increases:	3.50% annually. Overall payroll increase rate, including new entrants of 3.00% per year and 2.75% CPI-U.
Mortality:	<p>Actives: The RP-2014 Mortality Tables at 2006, sex-distinct, for Employees projected using MP-2016.</p> <p>Retirees: The RP-2014 Mortality Tables at 2006, sex-distinct, for Healthy Annuitants projected using MP-2016.</p> <p>Disabled: The RP-2014 Mortality Tables at 2006, sex-distinct, for Healthy Annuitants projected using MP-2016. Set forward 2 years.</p>

Changes in Total OPEB Liability

	Total OPEB Liability
Balance - June 30, 2019	\$ 181,659,702
Changes for the Year:	
Service Cost	6,971,449
Interest	7,202,690
Changes of Assumptions	4,319,302
Benefit Payments	(5,030,289)
Net Changes	13,463,152
Balance - June 30, 2020	\$ 195,122,854

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% to 3.50%, and the elimination of the PPACA Cadillac Tax.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1 percentage-point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 230,952,279	\$ 195,122,854	\$ 167,077,331

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1-percentage-point higher than the current healthcare trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 161,724,694	\$ 195,122,854	\$ 239,766,067

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020, the Town recognized OPEB expense of \$11,753,410.

At June 30, 2020, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 10,819,399
Changes in Assumptions	3,720,230	4,913,755
Benefits Payments Made Subsequent to the Measurement Date	5,380,198	-
Total	<u>\$ 9,100,428</u>	<u>\$ 15,733,154</u>

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The benefit payments made subsequent to the measurement date and will be reported as a reduction to the total OPEB liability in the next fiscal year. The remaining amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$ (2,420,728)
2021	(2,420,728)
2022	(2,420,728)
2023	(2,420,728)
2024	(2,420,728)
Thereafter	90,716
Total	<u>\$ (12,012,924)</u>

NOTE 12 PENSION PLAN - NCRS

General Information about the Pension Plan

Plan Description. The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Natick Contributory Retirement System (NCRS or System). Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Membership in the System was as follows at December 31, 2019:

Active Members	711
Inactive Members	163
Retirees and Beneficiaries Currently Receiving Benefits	<u>434</u>
Total	<u><u>1,308</u></u>

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 PENSION PLAN - NCRS (CONTINUED)

As indicated in Note 1, the System is reported as a pension trust fund in these financial statements. The System also issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 13 East Central Street, Natick, Massachusetts 01760.

Benefits provided. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the plan; Group 1, Group 2, and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in Group 1, 50 years of age with 10 years of service if in Group 2, and 55 years of age if hired prior to 1978 or if classified in Group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

When a member's retirement becomes effective, their deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLAN - NCRS (CONTINUED)

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status, and group classification.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Contributions. Chapter 32 of MGL governs the contributions of plan members and the employers. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

For the year ended December 31, 2019, active member contributions totaled \$3,809,108 and employer contributions totaled \$10,551,491. Contributions to the System from the Town were \$10,400,637 for the year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The components of the net pension liability of the System at December 31, 2019, were as follows:

Total Pension Liability	\$ 245,525,704
Plan Fiduciary Net Position	<u>(168,402,053)</u>
Net Pension Liability	<u>\$ 77,123,651</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.59%
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At June 30, 2020, the Town reported a liability of \$76,021,019 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 that was rolled forward to the December 31, 2019 measurement date. The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers, actuarially determined. At December 31, 2019 and 2018, the Town's proportion was 98.5703%.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 PENSION PLAN - NCRS (CONTINUED)

For the year ended June 30, 2020, the Town recognized pension expense of \$8,721,970. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 6,188,661
Changes in Assumptions	3,736,796	-
Changes in Proportion	33,489	4,771
Differences Between Expected and Actual Experience	-	2,441,650
Total	<u>\$ 3,770,285</u>	<u>\$ 8,635,082</u>

The amount reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2021	\$ (1,683,356)
2022	(1,406,573)
2023	747,111
2024	<u>(2,521,979)</u>
Total	<u>\$ (4,864,797)</u>

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLAN - NCRS (CONTINUED)

Actuarial assumptions. The following actuarial apply to all periods included in the measurement.

Assumptions:

Salary Increases	Based on years of service. Ranges from 6.00% decreasing to 4.00% after 11 years of service for Group 1 employees, from 6.00% decreasing to 4.25% after 11 years of service for Group 2 employees; and from 7.00% decreasing to 4.50% after 11 years of service for Group 4 Employees
Investment Rate of Return	7.25%, net of investment expense, including inflation
Inflation Rate	3.25%
Cost of Living Adjustment	3% of first \$13,000
Mortality	Healthy Participant - The RP-2014 Blue Collar Employee Mortality Table set forward one year for females projected generationally with Scale MP-20162D Healthy Retiree - The RP-2014 Healthy Annuitant Mortality Table set forward one year for females projected generationally with Scale MP-20162D Disabled Retiree - The RP-2014 Blue Collar Health Annuitant Mortality Table set forward one year projected generationally using Scale MP-2016 (previously, RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015)

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2018.

Investment Policy and Rates of Return. Deposits and investments made by the System are governed by Chapter 32 of the MGL. The System engages investment managers that adhere to MGL c. 32, sec 23(3), the "Prudent Person" rule, which permits (among other things) the investment in corporate bonds, equities, private equity, and real estate investments.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 PENSION PLAN - NCRS (CONTINUED)

The Board has the authority for establishing and amending investment policy decisions. Based on the investment objectives and constraints of the System, and based on an annual review of the asset allocation and asset classes, the Board will specify a long-term target allocation for each class of permissible assets. These targets will be expressed as a percentage of the total portfolio, and will have ranges surrounding them, allowing for the portfolio to maintain policy through market fluctuations. The long-term target allocations are intended as strategic goals. Thus, it is permissible for the overall System's asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, and other temporary changes in the System. At times, the Board reevaluates the portfolio weightings by asset class and adjustments are made accordingly.

The System's annual money-weighted rate of return on pension plan investments for the year was 21.74%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.0%	6.15%
International Developed Markets Equity	19.0%	6.78%
International Emerging Markets Equity	5.0%	8.65%
Core Fixed Income	14.5%	1.11%
High-Yield Fixed Income	3.5%	3.51%
Emerging Market Debt	3.5%	3.99%
Real Estate	10.0%	4.33%
Hedge Fund, GTAA, Risk Parity	6.5%	3.19%
Private Equity	5.0%	9.99%
Totals	<u>100.0%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 PENSION PLAN - NCRS (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the System calculated using the discount rate of 7.25%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
System's Net Pension Liability	\$ 104,609,523	\$ 77,123,651	\$ 53,938,693

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's Proportionate Share of the Net Pension Liability	\$ 103,113,928	\$ 76,021,019	\$ 53,167,535

Legally Required Reserve Accounts. The balance in the System's legally required reserves as of December 31, 2019 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 38,569,026	Active members' contribution balance
Annuity Reserve Fund	11,028,497	Retired members' contribution account
Pension Reserve Fund	114,763,259	Amounts appropriated to fund future retirement
Pension Fund	4,041,271	Remaining Net Position
Total	<u>\$ 168,402,053</u>	

All reserve accounts are funded at levels required by state law.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 PENSION PLAN - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

General Information about the Pension Plan

Plan description. Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts' (Commonwealth) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be obtained at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

Benefits provided. MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

Contributions. The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2020. The Commonwealth's net pension liability associated with the Town was \$150,808,106.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 13 PENSION PLAN - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM
(CONTINUED)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The MTRS' net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$18,288,100 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

Actuarial assumptions. The following actuarial methods and assumptions apply to all periods included in the measurement.

Investment rate of return - 7.25%

Salary increases - Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service

Mortality Rates - Pre-retirement reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct). Postretirement - reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct). Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

Other - 3.5% interest rate credited to the annuity savings fund and 3.0% cost of living increase on the first \$13,000 of allowance per year.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39%	4.9%
Core Fixed Income	15%	1.3%
Private Equity	13%	8.2%
Real Estate	10%	3.6%
Value Added Fixed Income	8%	4.7%
Portfolio Completion Strategies	11%	3.9%
Timber/Natural Resources	4%	4.1%
Totals	100%	

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 PENSION PLAN - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM
(CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount rate. The discount rate used to measure the MTRS' total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position. Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements.

NOTE 14 CAPITAL LEASES

The Town has entered into a capital lease agreement for LED street lights, which will become the property of the Town when all terms of the lease agreement are met.

The following schedule represents the future minimum lease payments as of June 30, 2020:

Fiscal Years Ending June 30	Governmental Activities
2021	\$ 73,503
2022	73,503
2023	73,504
Total Minimum Lease Payments	220,510
Less: Amounts Representing Interest	(9,768)
Present Value of Minimum Lease Payments	<u>\$ 210,742</u>

The LED street lights and the related accumulated amortization under capital leases are as follows:

<u>Asset:</u>	Governmental Activities
Infrastructure	\$ 650,000
Less: Accumulated Amortization	(401,600)
Total	<u>\$ 248,400</u>

Amortization of the capital lease is included with public works depreciation expense.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 15 FUND BALANCES

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	General	Kennedy Middle School	Affordable Housing Trust	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent Fund Principal	\$ -	\$ -	-	\$ 15,775	\$ 15,775
Restricted:					
OPEB	4,452,062	-	-	-	4,452,062
Debt Service	709,467	-	-	481,934	1,191,401
School Construction	-	23,056,705	-	220,593	23,277,298
School Lunch	-	-	-	783,844	783,844
Bus Transportation	-	-	-	126,784	126,784
Infrastructure (Mitigation Funds)	-	-	-	1,142,316	1,142,316
Capital	-	-	-	16,576,397	16,576,397
Cable Fees	-	-	-	395,013	395,013
Circuit Breaker	-	-	-	1,920,303	1,920,303
Conservation Commission	-	-	-	97,100	97,100
Recreation Revolving	-	-	-	386,276	386,276
General Government	-	-	209,934	1,822,482	2,032,416
Public Safety	-	-	-	520,022	520,022
Education	-	-	-	2,927,027	2,927,027
Public Works	-	-	-	5,945,016	5,945,016
Health and Human Services	-	-	-	876,848	876,848
Culture and Recreation	-	-	-	323,136	323,136
Library	-	-	-	6,274	6,274
Subtotal - Restricted	5,161,529	23,056,705	209,934	34,551,365	62,979,533
Committed:					
Capital Stabilization	5,051,050	-	-	-	5,051,050
Subsequent Year's Expenditures	2,000,000	-	-	-	2,000,000
Technology Stabilization	7,216	-	-	-	7,216
General Government	2,696,392	-	-	-	2,696,392
Public Safety	1,176,596	-	-	-	1,176,596
Education	1,375,373	-	-	-	1,375,373
Public Works	3,575,130	-	-	-	3,575,130
Health and Human Services	29,427	-	-	-	29,427
Culture and Recreation	75,788	-	-	-	75,788
Subtotal - Committed	15,986,972	-	-	-	15,986,972
Assigned:					
General Government	802,833	-	-	-	802,833
Public Safety	27,980	-	-	-	27,980
Education	530,678	-	-	-	530,678
Public Works	104,434	-	-	-	104,434
Health and Human Services	16,124	-	-	-	16,124
Culture and Recreation	18,381	-	-	-	18,381
Library	260,927	-	-	-	260,927
Subtotal - Assigned	1,761,357	-	-	-	1,761,357
Unassigned	24,544,078	-	-	(471,079)	24,072,999
Total	<u>\$ 47,453,936</u>	<u>\$ 23,056,705</u>	<u>\$ 209,934</u>	<u>\$ 34,096,061</u>	<u>\$ 104,816,636</u>

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 STABILIZATION FUNDS

The Town maintains general, capital, operational, FAR, inflow, and infiltration and one-to-one technology stabilization funds that were established under MGL Chapter 40, Section 5B. Appropriations in and out of these stabilization funds require two-thirds vote of Town meeting. Investment income is retained by the funds.

The balances of the general, capital, operational, FAR, inflow and infiltration, and one-to-one technology stabilization funds at June 30, 2020 are \$5,215,392, \$5,051,050, \$4,140,404, \$2,692,655, \$767,486, and \$7,216, respectively. The capital and technology stabilization fund balances are reported in the general fund as committed and the general, operational, and FAR stabilization funds are reported in the general fund as unassigned fund balance. The inflow and infiltration stabilization fund is reported as unrestricted net position in the water and sewer enterprise fund.

NOTE 17 RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The Town provides health insurance through its participation in the West Suburban Health Group (Group), a non-profit trust comprised of 11 towns, one school district and two educational collaboratives. The Town recognizes the cost of providing health insurance by recording its share (depending on the plan, contribution rates range between 50% and 90%) of insurance premiums paid to the Group in the general fund in the fiscal year paid. The purpose of the Group is to pay medical claims of its members' employees and their covered dependents. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town is self-insured for workers' compensation. The claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on history and injury type. The estimated liability at June 30, 2020 totaled \$24,607.

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-end</u>
2019	\$ 48,056	\$ 659,295	\$ (655,629)	\$ 51,722
2020	51,722	674,156	(701,271)	24,607

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 18 OPERATING LEASES

Lessee

The Town is committed under an operating lease for the golf course land, a modular building used as a clubhouse, and an administrative building at the golf course. During fiscal year 2020, the Town paid approximately \$77,000 related to these leases, which is accounted for in the golf course enterprise fund. Future minimum lease payments for the next five years are as follows:

<u>Fiscal Year</u>	<u>Payment</u>
2021	\$ 79,803
2022	82,197
2023	84,663
2024	87,203
2025	89,819

NOTE 19 TAX ABATEMENTS

The Town has entered into property tax abatement agreements with local businesses under the Massachusetts Economic Development Incentive Program (EDIP). The EDIP gives companies state and local tax incentives in order to foster job creation and stimulate business growth through the Town.

The Town negotiates property tax abatement agreements on an individual basis. As of June 30, 2020, the Town had a tax abatement agreement with 1 entity which received abatements in fiscal year 2020. The Town's policy is to disclose individual tax abatement agreements in which the amount abated exceeded 10% of the total abatements made by the Town in any given fiscal year.

- One Apple Hill Drive – A varying incremental percentage (9% in fiscal year 2020) of property tax abatement to a company related to the construction of a new building and parking garage which is expected to result in the creation of additional jobs for residents of Natick. The total abatement for fiscal year 2020 amounted to approximately \$38,000.

NOTE 20 COMMITMENTS

The Town has entered into, or is planning to enter into, contracts totaling approximately \$48,000,000 for various capital projects.

Significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$10,691,064 at June 30, 2020.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 21 CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2020.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) through June 30, 2020, these programs are still subject to financial and compliance audits by federal agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 22 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

Statement No. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2021. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2022. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement's impact on the basic financial statements.

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the Statement's impact on the basic financial statements.

Statement No. 91, *Conduit Debt Obligations*, which is required to be implemented during fiscal year 2023. Management is currently evaluating the Statement's impact on the basic financial statements.

Statement No. 92, *Omnibus 2020*, which is required to be implemented during fiscal year 2023. Management is currently evaluating the Statement's impact on the basic financial statements.

Statement No. 93, *Replacement of Interbank Offered Rates*, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement's future impact on the basic financial statements.

TOWN OF NATICK, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 22 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS (CONTINUED)

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, which is required to be implemented during fiscal year 2023. Management is currently evaluating the Statement's future impact on the basic financial statements.

Statement No. 96, Subscription-Based Information Technology Arrangements, which is required to be implemented during fiscal year 2023. Management is currently evaluating the Statement's future impact on the basic financial statements.

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a suppression of GASB No. 32, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement's future impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

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**TOWN OF NATICK, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2020**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 120,729,685	\$ -	\$ 120,729,685
Motor Vehicle and Other Excise Taxes	-	5,690,000	-	5,690,000
Hotel/Motel Tax	-	1,493,000	-	1,493,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	35,950	-	35,950
Trash Disposal	-	1,530,000	-	1,530,000
Intergovernmental	-	15,699,507	-	15,699,507
Special Assessments	-	-	-	-
Penalties and Interest on Taxes	-	330,350	-	330,350
Licenses and Permits	-	3,125,140	-	3,125,140
Fines and Forfeitures	-	100,600	-	100,600
Departmental and Other	-	2,606,000	-	2,606,000
Investment Income	-	1,170,000	-	1,170,000
Total Revenues	-	152,510,232	-	152,510,232
EXPENDITURES				
Current:				
General Government	3,222,860	8,019,227	(505,592)	10,736,495
Public Safety	1,638,851	16,568,716	1,297,538	19,505,105
Education	1,467,749	69,775,231	454,387	71,697,367
Public Works	4,967,370	12,285,246	640,112	17,892,728
Health and Human Services	35,177	2,121,654	95,096	2,251,927
Culture and Recreation	52,928	492,571	6,979	552,478
Library	50,000	2,466,291	82,123	2,598,414
Pension Benefits	-	10,070,552	-	10,070,552
Employee Benefits	-	16,743,421	13,245	16,756,666
Property and Liability Insurance	-	807,150	40,000	847,150
State and County Charges	-	1,504,841	-	1,504,841
Debt Service:				
Principal	-	9,542,523	-	9,542,523
Interest	-	6,573,782	-	6,573,782
Total Expenditures	11,434,935	156,971,205	2,123,888	170,530,028
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(11,434,935)</u>	<u>(4,460,973)</u>	<u>(2,123,888)</u>	<u>(18,019,796)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	2,788,395	1,279,300	4,067,695
Transfers Out	-	(240,000)	(2,396,986)	(2,636,986)
Total Other Financing Sources (Uses)	-	2,548,395	(1,117,686)	1,430,709
NET CHANGE IN FUND BALANCE	(11,434,935)	(1,912,578)	(3,241,574)	(16,589,087)
Fund Balance - Beginning of Year	27,389,569	27,389,569	27,389,569	27,389,569
FUND BALANCE - END OF YEAR	<u>\$ 15,954,634</u>	<u>\$ 25,476,991</u>	<u>\$ 24,147,995</u>	<u>\$ 10,800,482</u>

See accompanying Independent Auditors' Report.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 120,837,684	\$ -	\$ 120,837,684	\$ 107,999
5,432,080	-	5,432,080	(257,920)
1,183,138	-	1,183,138	(309,862)
88,680	-	88,680	88,680
39,555	-	39,555	3,605
1,151,167	-	1,151,167	(378,833)
15,546,458	-	15,546,458	(153,049)
2,055	-	2,055	2,055
298,125	-	298,125	(32,225)
2,514,431	-	2,514,431	(610,709)
155,213	-	155,213	54,613
2,562,632	-	2,562,632	(43,368)
1,756,599	-	1,756,599	586,599
151,567,817	-	151,567,817	(942,415)
6,088,373	3,500,226	9,588,599	1,147,896
17,387,103	1,204,576	18,591,679	913,426
69,411,567	1,906,051	71,317,618	379,749
13,139,741	3,679,564	16,819,305	1,073,423
1,800,275	45,551	1,845,826	406,101
485,688	44,169	529,857	22,621
2,458,231	50,000	2,508,231	90,183
10,070,307	-	10,070,307	245
15,928,995	260,927	16,189,922	566,744
801,929	-	801,929	45,221
1,396,120	-	1,396,120	108,721
9,262,659	-	9,262,659	279,864
6,132,032	-	6,132,032	441,750
154,363,020	10,691,064	165,054,084	5,475,944
(2,795,203)	(10,691,064)	(13,486,267)	4,533,529
4,077,697	-	4,077,697	10,002
(2,636,986)	-	(2,636,986)	-
1,440,711	-	1,440,711	10,002
(1,354,492)	(10,691,064)	(12,045,556)	4,543,531
27,389,569	-	27,389,569	-
\$ 26,035,077	\$ (10,691,064)	\$ 15,344,013	\$ 4,543,531

See accompanying Independent Auditors' Report.

**TOWN OF NATICK, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS
NATICK CONTRIBUTORY RETIREMENT SYSTEM (1)**

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<u>Total Pension Liability</u>						
Service Cost	\$ 5,613,729	\$ 5,482,468	\$ 5,301,943	\$ 5,429,806	\$ 5,188,204	\$ 4,356,464
Interest	17,066,872	16,437,703	15,769,556	15,447,268	14,755,592	14,119,172
Change of Benefit Terms	-	1,069,358	-	-	-	-
Difference Between Expected and Actual Experience	-	(355,337)	-	(6,720,520)	-	(1,454,889)
Change in Assumptions	-	3,166,781	-	5,039,423	-	12,691,909
Benefit Payments, Including Refunds of Member Contributions	(13,892,595)	(12,929,821)	(11,454,990)	(10,959,421)	(10,966,687)	(9,618,947)
Net Change in Total Pension Liability	8,788,006	12,871,152	9,616,509	8,236,556	8,977,109	20,093,709
Total Pension Liability - Beginning	236,737,698	223,866,546	214,250,037	206,013,481	197,036,372	176,942,663
Total Pension Liability - Ending (a)	<u>\$ 245,525,704</u>	<u>\$ 236,737,698</u>	<u>\$ 223,866,546</u>	<u>\$ 214,250,037</u>	<u>\$ 206,013,481</u>	<u>\$ 197,036,372</u>
<u>Plan Fiduciary Net Position</u>						
Contributions - Employer	\$ 10,551,491	\$ 9,861,204	\$ 9,216,080	\$ 8,613,159	\$ 8,049,681	\$ 7,453,409
Contributions - Member	3,809,108	3,688,209	3,576,132	3,398,502	3,243,263	3,343,806
Other Additions	140,409	21,030	108,370	168,464	98,464	186,892
Net Investment Income (Loss)	25,525,945	(5,663,414)	18,985,941	10,160,090	129,562	7,758,262
Benefit Payments, Including Refunds of Member Contributions and Net of Transfers (To) From Other Systems	(13,892,595)	(12,929,821)	(11,454,990)	(10,959,421)	(10,966,687)	(9,695,103)
Administrative Expense	(313,177)	(263,733)	(285,939)	(238,498)	(232,122)	(261,086)
Net Change in Plan Fiduciary Net Position	25,821,181	(5,286,525)	20,145,594	11,142,296	322,161	8,786,180
Plan Fiduciary Net Position - Beginning	142,580,872	147,867,397	127,721,803	116,579,507	116,257,346	107,471,166
Plan Fiduciary Net Position - Ending (b)	<u>\$ 168,402,053</u>	<u>\$ 142,580,872</u>	<u>\$ 147,867,397</u>	<u>\$ 127,721,803</u>	<u>\$ 116,579,507</u>	<u>\$ 116,257,346</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 77,123,651</u>	<u>\$ 94,156,826</u>	<u>\$ 75,999,149</u>	<u>\$ 86,528,234</u>	<u>\$ 89,433,974</u>	<u>\$ 80,779,026</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.59%	60.23%	66.05%	59.61%	56.59%	59.00%
Covered Payroll	\$ 38,934,825	\$ 37,326,353	\$ 37,421,956	\$ 35,896,695	\$ 34,773,489	\$ 33,191,253
Net Pension Liability as a Percentage of Covered Payroll	198.1%	252.3%	203.1%	241.0%	257.2%	243.4%

(1) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF NATICK, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
NATICK CONTRIBUTORY RETIREMENT SYSTEM**

	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 10,551,491	\$ 9,861,204	\$ 9,216,080	\$ 8,613,159	\$ 8,049,681
Contributions in Relation to the					
Actuarially Determined Contribution	10,551,491	9,861,204	9,216,080	8,613,159	8,049,681
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 38,425,761	\$ 37,306,564	\$ 36,219,965	\$ 35,165,015	\$ 34,140,791
Contributions as a Percentage of Covered Payroll	27.46%	26.43%	25.44%	24.49%	23.58%

(Continued)

	2014	2013	2012	2011	2010
Actuarially Determined Contribution	\$ 7,453,409	\$ 6,901,304	\$ 6,390,096	\$ 5,916,756	\$ 5,661,968
Contributions in Relation to the					
Actuarially Determined Contribution	7,453,409	6,901,304	6,390,096	5,916,756	5,661,968
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 33,146,399	\$ 32,180,970	\$ 27,627,175	\$ 27,627,175	\$ 27,627,175
Contributions as a Percentage of Covered Payroll	22.49%	21.45%	23.13%	21.42%	20.49%

(Concluded)

**SCHEDULE OF INVESTMENT RETURNS
NATICK CONTRIBUTORY RETIREMENT SYSTEM (1)**

	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	21.74%	-4.86%	15.91%	16.03%	9.53%	0.76%	8.01%

(1) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF NATICK, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
NATICK CONTRIBUTORY RETIREMENT SYSTEM (1) (2)**

	2020	2019	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	98.5703%	98.5073%	98.5073%	98.5073%	98.5390%	98.5390%
Town's Proportionate Share of the Net Pension Liability	\$ 76,021,019	\$ 92,810,672	\$ 74,864,697	\$ 85,236,612	\$ 88,127,308	\$ 79,598,815
Town's Covered Payroll	\$ 38,180,591	\$ 36,606,405	\$ 36,714,811	\$ 35,218,565	\$ 34,773,489	\$ 32,532,514
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	199.11%	253.54%	203.91%	242.02%	253.43%	244.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.59%	60.23%	66.05%	59.61%	56.59%	59.00%

(1) Amounts presented were determined as of December 31

(2) Data is being accumulated annually to present 10 years of the reported information

**SCHEDULE OF TOWN CONTRIBUTIONS
NATICK CONTRIBUTORY RETIREMENT SYSTEM**

	2020	2019	2018	2017	2016
Actuarially Required Contribution	\$ 10,400,637	\$ 9,720,219	\$ 9,078,510	\$ 8,484,589	\$ 7,932,072
Contributions in Relation to the Actuarially Required Contribution	10,400,637	9,720,219	9,078,510	8,484,589	7,932,072
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 37,272,988	\$ 36,187,367	\$ 36,299,297	\$ 35,218,565	\$ 35,218,565
Contributions as a Percentage of Covered Payroll	27.90%	26.86%	25.01%	24.09%	22.52%

(Continued)

	2015	2014	2013	2012	2011
Actuarially Required Contribution	\$ 7,344,512	\$ 6,793,586	\$ 6,290,358	\$ 5,826,520	\$ 5,575,618
Contributions in Relation to the Actuarially Required Contribution	7,344,512	6,793,586	6,290,358	5,826,520	5,575,618
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 31,672,428	\$ 31,672,428	\$ 26,953,209	\$ 26,953,209	\$ 25,138,776
Contributions as a Percentage of Covered Payroll	23.19%	21.45%	23.34%	21.62%	22.18%

(Concluded)

See accompanying Independent Auditors' Report.

**TOWN OF NATICK, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

**SCHEDULE OF SPECIAL FUNDING AMOUNTS OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (1) (2)**

	2020	2019	2018	2017	2016	2015
Town's Share of Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's Share of the Town's Net Pension Liability	150,808,106	133,510,676	125,563,486	119,659,447	108,153,939	82,844,322
Total	<u>\$ 150,808,106</u>	<u>\$ 133,510,676</u>	<u>\$ 125,563,486</u>	<u>\$ 119,659,447</u>	<u>\$ 108,153,939</u>	<u>\$ 82,844,322</u>
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	53.95%	54.84%	54.25%	52.73%	55.38%	61.64%

- (1) Amounts presented were determined as of June 30 of the prior year
(2) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF NATICK, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

OTHER POSTEMPLOYMENT BENEFITS SCHEDULES

**SCHEDULE OF CHANGES IN THE TOWN'S
TOTAL OPEB LIABILITY AND RELATED RATIOS (1) (2)**

<u>Total OPEB Liability</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 6,971,449	\$ 7,871,729	\$ 7,642,455
Interest	7,202,690	7,116,253	6,768,403
Difference Between Expected and Actual Experience	-	(14,972,720)	-
Changes of Assumptions	4,319,302	(6,800,032)	-
Benefit Payments	<u>(5,030,289)</u>	<u>(4,923,643)</u>	<u>(4,923,643)</u>
Net Change in Total OPEB Liability	13,463,152	(11,708,413)	9,487,215
Total OPEB Liability - Beginning	<u>181,659,702</u>	<u>193,368,115</u>	<u>183,880,900</u>
Total OPEB Liability - Ending	<u>\$ 195,122,854</u>	<u>\$ 181,659,702</u>	<u>\$ 193,368,115</u>
Covered-Employee Payroll	\$ 80,781,372	\$ 77,754,826	\$ 74,142,906
Total OPEB Liability as a Percentage of Covered-Employee Payroll	241.54%	233.63%	260.80%

(1) Amounts presented were determined as of June 30 of the prior year

(2) Data is being accumulated annually to present 10 years of the reported information

TOWN OF NATICK, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

NOTE A BUDGETARY – GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2020 is presented below:

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance
Budgetary Basis as Reported on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 151,567,817	\$ 165,054,084	\$ 1,440,711	\$ 15,344,013
<u>Adjustments and Reclassifications</u>				
To record 60-day receipts	(97,835)	-	-	431,851
To record tax refunds payable	417,804	-	-	(301,691)
To record MWPAT debt service subsidy	1,114	1,114	-	-
To record MTRS on-behalf payments	18,288,100	18,288,100	-	-
To record refunding transaction	-	28,009,417	28,009,417	-
To record other expenditures	-	270,080	-	(270,080)
To reflect reclassification of transfers	-	(115,000)	(115,000)	-
To record encumbrances and continuing appropriations	-	(10,691,064)	-	10,691,064
<u>Reclassifications</u>				
To reclassify the stabilization fund to the general fund for GAAP purposes	58,748	-	250,000	5,215,392
To reclassify the capital stabilization fund to the general fund for GAAP purposes	49,165	-	242,047	5,051,050
To reclassify the operating stabilization fund to the general fund for GAAP purposes	93,448	-	250,000	4,140,404
To reclassify the OPEB fund to the general fund for GAAP purposes	128,118	-	375,639	4,452,062
To reclassify the FAR stabilization fund to the general fund for GAAP purposes	67,367	-	-	2,692,655
To reclassify the technology stabilization fund to the general fund for GAAP purposes	206	-	-	7,216
GAAP Basis as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 170,574,052</u>	<u>\$ 200,816,731</u>	<u>\$ 30,452,814</u>	<u>\$ 47,453,936</u>

NOTE B PENSION PLAN - NCRS

Changes of Assumptions:

2019 – Reflects a change in the discount rate from 7.375% to 7.25%.

2016 - Reflects a change in the discount rate from 7.50% to 7.375%.

**TOWN OF NATICK, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2020**

NOTE C SCHEDULE OF EMPLOYER CONTRIBUTIONS (PENSION)

The following methods and assumptions were used to determine the most recent actuarially determined contribution rates for the pension plan:

Valuation Date January 1, 2017

Assumptions:

Salary Increases Based on years of service. Ranges from 6.00% decreasing to 4.00% after 11 years of service for Group 1 employees, from 6.00% decreasing to 4.25% after 11 years of service for Group 2 employees; and from 7.00% decreasing to 4.50% after 11 years of service for Group 4 Employees

Investment Rate of Return 7.375%, net of investment expenses

Inflation Rate 3.25%

Cost of Living Adjustment 3% of first \$12,000

Mortality Healthy Participant - The RP-2014 Blue Collar Employee Mortality Table set forward one year for females projected generationally with Scale MP-20162D

Healthy Retiree - The RP-2014 Healthy Annuitant Mortality Table set forward one year for females projected generationally with Scale MP-20162D

Disabled Retiree - The RP-2014 Blue Collar Health Annuitant Mortality Table set forward one year projected generationally using Scale MP-2016 (previously, RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015)

NOTE D OTHER POSTEMPLOYMENT BENEFITS

Changes of Assumptions:

2020 - Reflects a change in the discount rate from 3.87% to 3.50%, and the elimination of the PPACA Cadillac Tax.

2019 – Reflects a change in the discount rate from 3.58% to 3.87%, change in the morbidity assumption to calculate age-graded claim rates based on health care trend costs, change in the Tier 2 retirement rates, and change in mortality assumption to the PR-2014 mortality tables at 2006, projected using MP-2016.

